Two Wrongs Make a Right? Accidental Consensus in Predictions of Others’ Preferences Under Uncertainty

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To make effective decisions under uncertainty (such as choosing how much to invest in to a competition), people often must accurately predict other people’s decisions. Accuracy may be elusive, however, because of self-other discrepancies at two stages of prediction. First, in the probability judgment stage, people are more influenced by task difficulty than they believe others would be. Second, in the probability weighting stage, people are more influenced by affect than they believe other would be. Interestingly, because these self-other differences work in opposing directions, their combined effects can result in “accidental consensus” between people’s own choices and their predictions of others’ choices.

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EXTENDED ABSTRACT

To make effective decisions under uncertainty, marketers often must accurately predict other people’s decisions under uncertainty. To illustrate, consider the managers at a pharmaceutical firm that is deciding whether to start developing a new allergy drug. These managers must of course assess their own risk tolerance, determining whether the chances and consequences of a successful development attempt outweigh the chances and consequences of an unsuccessful development attempt. Importantly, these managers must also predict the preferences of many others, including consumers and executives at competing firms. For example, how would executives at other firms respond to the development of a new drug? Would these competitors bear the risk of attempting to develop a next generation of rival drugs, thereby threatening the new drug’s profitability? According to most descriptive models of decision under uncertainty (e.g. Tversky and Fox 1995), the managers have to perform two key judgments related to likelihood in order to accurately assess this possibility: 1) predict their rival’s probability of success in developing a new treatment and 2) predict the impact (weight) of that probability on their rival’s actual choices.

The present research examines people’s predictions of others’ preferences under uncertainty. We examine two distinct self-other discrepancies that can influence the accuracy of predictions under uncertainty, one occurring in the probability judgment stage and the other in the probability weighting stage. Importantly, we show that these self-other differences work in opposing directions. Hence, we examine the joint operation of these opposing forces and observe that they can result in “accidental consensus” in terms of own choices and predictions of other’s choices under uncertainty.

The recent literature on perceptions of ability suggests that when judging their ability to perform on a given task, people egocentrically focus on their feelings of task difficulty and fail to adjust their self-assessments for the fact that the task or event in questions would be as difficult for others (e.g. Kruger 1999). In study 1 we confirm that we can expect a similar effect of difficulty using indirect methods, such as in the separate judgments of probability that we are interested in. As expected, we find that participants were more positive in their self-assessments than they thought others should be when the task was easier. Conversely, participants were more negative in their predictions than they thought others should be when the task was more difficult.

In study 2 we examine self-other differences in probability weighting. Drawing on the research on affective reactions and probability weighting (Rottenstreich and Hsee 2001) we suggest that deviations from impossibility and certainty will have greater impact for the self than they will be predicted to have on others. Even a tiny probability of obtaining some outcome might generate a great deal of risk-related affect that seems to go beyond what is justified by the mere numerical difference between a zero probability and a just slightly higher probability. Likewise, even a tiny probability of not obtaining some outcome might generate a great deal of risk-related affect that seems to go beyond the mere numerical difference between a probability of one and a just slightly lower probability. But research on empathy gaps (Loewenstein 1996; Van Boven, Dunning, and Loewenstein 2000) suggests that, although people’s reactions to risk and uncertainty may in part reflect such affective reactions, they may not appreciate that other people have similar affective reactions. As a result, they may predict that others will respond to deviations from impossibility and certainty in relatively muted ways. Put differently, people may fail to predict that others will do what they themselves do—overweight small probabilities and underweight large probabilities. We confirm this prediction in a study that contrasts risky choices made for self with predictions for choices of others. We find that given a small probability of winning, choices were risk-seeking but predictions were less so. In contrast, given a large probability of winning choices were risk-averse but predictions were less so. This pattern of self-other differences in risky choices implies a self-other difference in weighting of probabilities: as predicted, people fail to predict that others will overweight small probabilities and underweight large probabilities just as they themselves do.

In Study 3, we combine the methodology of the first two studies to examine predictions of others’ preferences under uncertainty, where both judgments of probability and weights of those probabilities need to be made. Participants were presented with word puzzles that varied in difficulty. We first asked them to judge the probability of success solving a word puzzle and then state a cash equivalent for a gamble based on that word puzzle. Participants made these two judgments for themselves and for a random other. First, in terms of monetary decisions, we find no difference decisions for self versus predictions for random-other. This result, a sort of “accidental consensus” is explained by the replication of the two opposing self-other biases demonstrated in studies 1 and 2. Replicating study 1, we observe an interaction of target by puzzle difficulty. On harder word puzzles, participants thought their own probability of success was smaller than that of others. On easier word puzzles, participants thought that their own probability of success was greater than that of others. Replicating study 2, we also find an opposing self-other difference in weighting of these judged probabilities, offsetting the differences in probability judgment. Further, in line with the empathy gap account, we find that self-other differences in weighting of probabilities are attenuated when one is asked to make decisions for oneself before predicting the decisions of others.

We discuss the implications of these findings with respect to self-positivity, prediction, and behavior. Our findings suggest, for example that, while managers might predict that other managers are less likely to have a successful product launch than themselves, they might nonetheless predict that other managers would be equally likely to actually proceed with the launch.

REFERENCES


