Why We Don't Learn to Accurately Forecast Our Feelings: How the Misremembering of Our Predictions Blinds Us to Our Past Forecasting Errors

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Why do people persist in making erroneous affective forecasts? Our results suggest that this persistence is partly caused by people's biased recollections of their initial predictions. Individuals remembered their affective forecasts regarding both negative (e.g., preferred candidate losing the 2004 Presidential election) and positive events (e.g., favorite team reaching the 2005 Final Four) as less extreme than they actually were. Furthermore, even when individuals were able to accurately recall their forecasts, they did not spontaneously bring these to mind, and thus did not learn from the discrepancy between their affective forecasts and their actual experience unless prompted to do so.

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future state more than forecasters do. Third, when people are not guided to use one or other of these methods, they tend to make predictions and consider information as backcasters do. A simple primacy or recency explanation is insufficient to explain these findings.

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Why do people persist in making erroneous affective forecasts (e.g., Gilbert, Pinel, Wilson, Blumberg and Wheatley, 1998; Novemsky & Ratner, 2003)? We present the results of several studies that suggest that this persistence is partly caused by people’s biased recollections of their initial predictions. Individuals who experienced a negative event (e.g., Kerry supporters following the 2004 presidential election and Philadelphia Eagles fans following the 2005 Super Bowl) were less upset than they had predicted and misremembered this prediction as less extreme than it actually was, thus obscuring the fact that they had made a forecasting error. Similarly, individuals who experienced a positive event (e.g., UNC students following their men’s basketball team’s appearance in the Final Four) also recalled having made less extreme predictions than they had originally indicated. Interestingly, although participants’ memories were inaccurate for affective forecasts relating to the Final Four, their forecasts about winning the championship were quite accurate. This suggests that people’s memories for their affective forecasts may be better for unusual, extremely positive events than for unresolved, more emotionally-ambiguous events. Furthermore, even when individuals were able to accurately recall their affective forecasts, they did not spontaneously bring these to mind, and thus did not learn from the discrepancy between their affective forecasts and their actual experience unless prompted to do so.

We find that when we confront people with the fact that their initial forecast was wrong, they make less extreme predictions in a similar situation in the future. After a real-time experience that disconfirms their initial affective forecast (i.e., not experiencing as strong context effects as participants’ expected when eating liked and disliked jellybeans, following Novemsky and Ratner 2003), people misremembered their initial affective forecasts as having been less extreme than they actually were. Respondents who were reminded of these actual, extreme initial forecasts showed more learning (i.e., made less extreme predictions for a similar, future set of experiences) than those who were not reminded of what their initial predictions had been. This indicates that learning is indeed impeded when people do not realize that their initial affective forecasts did not match their real-time experience.

In another study, we extend our investigation to the planning fallacy and find that students also misremember predicted completion times for class assignments as less optimistic than they actually were. Furthermore, students who were asked to recall their predicted completion times before making a second prediction, made less optimistic second predictions than those who were reminded of their prior predictions or those who only recalled their prior predictions afterwards. In fact, those students who made the largest recall errors tended to make the least optimistic second predictions. This suggests that people may sometimes perceive their prior predictions as more diagnostic than their prior behavior, leading them to anchor on their recalled prior predictions when formulating a prediction for a new, similar task. Note that this is consistent with previous theorizing that the persistence of the planning fallacy is in part caused by people perceiving their past failures as nondiagnostic for their present predictions—since they ascribe these failures to idiosyncratic obstacles that were specific to that past situation.

In sum, these studies indicate that one of the reasons for the persistence of forecasting errors is people’s tendency to systematically misremember their predictions. We often recall our predictions as being closer to the actual outcome than they in fact were. This recall error creates the illusion that we did in fact accurately predict the outcome (or that our misprediction was less severe than it actually was), thus reducing the perceived need to learn. However, these studies also suggest some boundary conditions for this phenomenon. First, we do not always misremember our predictions. For instance, predictions regarding exceptional events tend to be recalled more accurately. Second, even when we systematically misremember our prediction, this may sometimes facilitate, rather than impede learning. For instance, when we use our recalled prior prediction as an anchor for our future predictions, recalling this prediction as being closer to reality will provide a more realistic anchor, and thus a more appropriate basis for our future predictions. Together, these results indicate that a systematic bias in memory for past predictions contributes to the persistence of forecasting errors.

“How Predictions Differ from Actual Adaptation to Durable Products”
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Many consumer purchases involve items for which consumption extends over a long period of time and decisions to purchase such products depend critically on predictions about how the experience with these products will unfold over time. For example, the decision to purchase a sunroof in a new car depends on whether one believes that it will provide little enjoyment after 6 months. Are consumers able to accurately predict this at the time of purchase? Clearly the ability to predict enjoyment with a product over time is important for many decisions. Failures in predictions of how utility from a product unfolds over time can result in repeated dissatisfaction with purchases or lack of repeat purchase of worthwhile items.

There is a growing body of research on predictions about how consumers will feel in the future in particular circumstances or following particular events. This research has examined many possible influences, including the weather, various health conditions, being denied tenure, having your favorite candidate win an election, etc. For example, Schkade and Kahneman (1998) found that individuals overpredicted the effect that weather would have on their well-being, thinking that Californians would be happier than Midwesterners. One key mechanism for this and many other mispredictions seems to be a focusing illusion (Schkade and Kahneman 1998) whereby individuals focus disproportionately on, and thus exaggerate the importance of, things that would change in the future while ignoring things that would remain the same when making predictions about overall happiness in the future. In actual experiences, individuals pay less attention to any one particular circumstance because they are busy fulfilling the demands of everyday life. A second explanation for misprediction of future happiness is that people may fail to appreciate the speed and extent to which they will emotionally adapt to changes in life circumstances (Gilbert et al., 1998; Loewenstein & Frederick, 1997). In light of these two major explanations for the gap between predicted and experienced happiness, past research has shown that drawing attention to focusing illusions or emotional adaptation might improve the quality of hedonic prediction about long-term emotional impact of certain events (Ubel, Lowenstein, and Jepson, 2005).
The present research differs from this existing affective forecasting research in one important way: the present studies examine happiness with a particular product over time rather than general happiness or well-being. Our measures of predictions and experiences are focused exclusively on the target item, and therefore are not subject to the documented effect of overweighting one event or dimension in considering total well-being.

Our first study examines how predicted enjoyment compares to actual enjoyment for a durable hedonic product. Participants were either given the product to take home (experience condition) or presented with a picture and detailed description of the same product (non-experience condition). Participants assigned to the experience condition either reported their current enjoyment after 1 day or 7 days with the product. Participants in the non-experience condition made predictions about enjoyment after either 1 day or 7 days with the product. We found a substantial reduction in actual experienced enjoyment with the product over time, and yet participants failed to anticipate this downward trend in future enjoyment without a first-hand experience with the product. This failure in predicting adaptation prior to experience with the target product might help explain why intuitive knowledge or past experience of adaptation often fails to curb the desires for new products, especially novel hedonic products, that consumers have yet to experience.

In our second study, we examined how predicted enjoyment compares to actual enjoyment for consumers who have gained some experience with a product. All participants in this study were given a product to keep and were assigned to either a 1-day or 7-day condition. One-day participants were asked to report their current enjoyment after one day with the product and to predict how they would feel about the product on day 7. Seven-day participants were asked to report their current enjoyment on day 7. The hedonic measure again shows that enjoyment is declining over time. Interestingly however, after owning the product for one day, participants largely overpredicted adaptation to the product, i.e., 1-day participants anticipated their enjoyment of the product to be much lower on day 7 than what the 7-day participants actually experienced. It is possible that once participants get to experience a product, they focus too much attention on how they are going to use or play with the product, overpredicting the usage frequency when making predictions about their future enjoyment and hence conclude that its novelty will wear off sooner than it does.

In study 3, we borrowed a defocusing manipulation from Wilson and colleagues (Wilson et al. 2000) to examine whether accuracy of hedonic prediction for a target product can be improved by drawing attention to various daily activities. We used a similar design to our study 2 with the addition of a 1-day defocusing condition. Before making predictions about their future enjoyment of the target product on day 7, participants assigned to this condition first completed a “Diary Study” where they were asked to estimate the number of hours they would spend on 10 activities during a typical week of a year (e.g., going to class, socializing with friends, studying, eating meals). We replicated the study 2 findings that participants in the 1-day control condition predicted their enjoyment of the target item to be much lower on day 7 than what the 7-day participants actually experienced. However, participants who were first asked to reflect on daily activities they would typically be engaged in made predictions that are roughly on par with the actual experienced enjoyment of the item on day 7.

In summary, we find that consumers’ enjoyment of durable hedonic products often declines over time. Predictions sometimes fail to accurately represent these trends. Specifically, consumers fail to predict adaptation for products that they have not yet experienced. Once they gain experience with the product, consumers tend to overpredict the degree of adaptation by focusing disproportional attention on their use of the target item.

REFERENCES


EXTENDED ABSTRACT

Consumers are exposed to a barrage of information cues about and from retailers. These cues can be categorized as being either high-scope or low-scope. A high-scope cue is one that is enduring such as a retail reputation. Whereas a low-scope cue is more easily changed such as a retailer offering or not offering a price matching guarantee (PMG) (Purohit and Srivastava 2001). The focus of this research is how consumers use the low-scope cue in forming evaluations as a function of the congruity with and valence of the high-scope cue.

Previous research offers conflicting evidence as to the use of high and low-scope cues in evaluations. Purohit and Srivastava (2001) demonstrate that high-scope cues are used in evaluations regardless of the valence of other cues, but low-scope cues are used only when the valence of the high-scope cue is positive. In contrast, research into the impact of PMGs (a low-scope cue) demonstrates that the high-scope cue is only used when a retailer is not price-competitive (a negative high-scope cue) (Biswas et al. 2002; Lurie and Srivastava 2005). Thus, one research stream indicates that the low-scope cue is used when the high-scope cue is positive, and the other indicates that it will only be used when the high-scope cue is negative.

This research seeks to resolve the apparent discrepancy by understanding how the level of congruity between the high and low-scope cues impacts evaluations. Consider, for example, the association between the type of retailer reputation and a PMG. A PMG is more congruent with a retailer with a reputation based on price; and less with a retailer with a reputation based on service. Previous research has shown that the level of congruity between a stimulus (e.g., the low scope cue) and an evoked schemas (e.g., schema based on the high-scope cue) influences both processing and evaluation of the stimulus (Campbell and Goodstein 2001, Mandler 1982, Meyers-Levy and Tybout 1989). Thus, we expect that the level of congruity between the cues will impact when the PMG is considered diagnostic and hence used in evaluations. Cue diagnosticity and level of congruency serve as underlying frameworks for this research.

Considering the impact of both congruence and the valence of the high-scope cue, we expect that when the low-scope cue (PMG) is congruent with the high scope cue (price reputation), the low scope cue will not impact evaluations of the retailer if the high-scope cue is positive, but will if the high-scope cue is negative. The reasoning for this follows from the fact that if the two cues are congruent they both evoke a schema related to price resulting in consumers viewing the PMG as relevant additional information to update their existing schema. If the high-scope cue is positive (retailer is price competitive), the low-scope congruent cue (PMG) is not necessary to further improve perceptions. But if the high-scope cue is negative (retailer is not price competitive), the low-scope congruent cue (PMG) will enhance consumer evaluations of the retailer. The PMG partially offsets the negative impression caused by the high-scope cue because it is congruent, and hence, relevant information to that evoked schema. Thus, we hypothesize:

H₁: When the high and low-scope cues are congruent (PMG provided and retailer’s reputation based on price competitiveness) there will be an interaction such that:

• The low-scope PMG cue enhances perceptions about the retailer when the high-scope reputation cue is negative.
• The low-scope PMG cue has no impact on perceptions about the retailer when the high-scope reputation cue is positive.

If the two cues are moderately incongruent they evoke different schemas related to the retailer. Cues which are moderately incongruent can both still indicate positive information. For example a retailer that provides excellent service can also offer competitive prices. If the high-scope cue is positive (excellent service reputation), consumers will consider other information about the retailer even if it is not related to the high-scope cue. Thus, the low-scope moderately incongruent cue is expected to impact evaluations when the high-scope cue is positive.

But if the high-scope cue is negative (poor service reputation), impressions of the retailer will be more heavily influenced by the negative information (Ahluwalia 2002, Skowronski and Carlston 1987). A moderately incongruent cue is not directly associated with and hence relevant to the schema evoked by the high-scope cue and is unlikely to offset the negative impact of the high-scope cue. Thus, we expect that:

H₁b: When the high and low-scope cues are moderately incongruent (PMG offered and retailer’s reputation is not based on price) there will be an interaction such that:

• The low-scope PMG cue enhances perceptions about the retailer when the high-scope reputation cue is positive.
• The low-scope PMG cue has no impact on perceptions about the retailer when the high-scope reputation cue is negative.

These hypotheses are tested in three experiments. Experiment 1 uses a retailer with a reputation based on price, and experiment 2 uses retailer with a reputation based on service. Hence, the PMG is congruent with reputation in experiment 1 and is moderately incongruent with reputation in experiment 2. Finally, experiment 3 provides evidence to support the congruency and process arguments used in the development of hypotheses 1 and 2.

Experiment 1 utilized a 2 x 2 between subjects design which manipulated reputation of the retailer (positive/negative) and the presence of a PMG (present/absent). The retailer’s reputation was based on price. Experiment 2 utilized the same design but the retailer’s reputation was based on service. Finally experiment 3 utilized a 2 x 2 between subjects design in which the valence of the retailer’s reputation (positive/negative) and the type of retailer’s
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reputation (service/price) were manipulated. Results support the hypotheses.

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