The Effect of Interpersonal and Interproduct Comparison on Product Choice
Katherine A. Burson, University of Michigan

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Consumers rely on comparisons to determine the best product for themselves. Previous research has shown that consumers infer their personal valuation of alternatives from the portfolio of market offerings and some information about their own relative tastes (Prelec, Wernerfelt, and Zettelmeier 1997). Participants who were asked to indicate in which segment of quality their preferred product lay (their “ideal point”) and then asked to give the percentile rank of each product in an array were likely to choose the product closest to their ideal point. Unfortunately, this reliance on interproduct rather than absolute information about products in a distribution contributes to errorful consumption decisions. For instance, Prelec et al. (1997) demonstrated that, given a distribution of ponchos, consumers who believed they are shorter than average purchased the shortest poncho despite the fact that the longest poncho was a better fit.

In the current experiments, I extend this theory in two ways. First, I demonstrate that consumers not only infer valuations of products from their relative preferences, but also from their relative skills. Secondly, I show that consumers’ beliefs about their skill level are often flawed in a predictable way, introducing another potential source of error into their product selection. Two studies show that consumers use both interpersonal and interproduct skill-based comparisons to choose products and that the perceived difficulty of tasks drives beliefs about relative skill.

The first experiment examines the role of interpersonal beliefs in product choice and demonstrates that skill-based consumption decisions are driven by both these and interproduct assessments. In this study, 54 participants were given a choice between six MBA programs (ranging from low-skill to high-skill), and chose the program that they thought was best for them. Skill was represented as the average GMAT of students in the program. Unlike previous research that required participants to indicate where their preferred product lay, this experiment measured participants’ estimates of their own relative standing on the GMAT as well as their estimates of the relative standing of each MBA program. I expected participants to choose the program that shared their own rank. In other words, participants who thought they were 80th percentile test-takers would choose an MBA program that they thought was 80th percentile. The results of study 1 show that the predicted correlation between participants’ interpersonal and interproduct estimates. Furthermore, exactly 50% of participants matched their chosen MBA program to their own percentile rank (more than can be predicted by chance). Clearly, skill-based interpersonal comparisons play a role in product choice. The next experiment explores these beliefs about relative skill.

Study 1 shows that participants rely on both their comparisons to other participants and comparisons between products when they choose products. Previous research has shown that reliance on relative information about products could lead to consumption mistakes (Prelec et al. 1997). However, the extent to which people misestimate their relative skill is unclear. Some research suggests that only a minority of people make errors in interpersonal assessments (Kruger and Dunning 1999, 2002); unskilled people are allegedly more miscalibrated in interpersonal assessments than skilled participants are. I will refer to this as the “unskilled-unaware” hypothesis. This theory suggests that only people in the bottom quartile of performance are inaccurate judges of their standing. However, I argue that a majority of consumers make errorful interpersonal estimates. Poor performers are no more error-prone than good performers—they just appear that way in Kruger and Dunning’s data because of two effects: 1) subjective and objective measures of performance are imperfectly correlated, so estimates of relative performance regress toward the mean and 2) overall, people tend to give inflated estimates of relative ability.

If interpersonal assessments (like interproduct assessments in Prelec et al 1997) are errorful, then the results of study 1 suggest that, ultimately, the quality of product choice will suffer. If Kruger and Dunning (1999, 2002) are correct, then it is only the most incompetent consumers who will err in skill-based product choices. On the other hand, if my theory is right, then people who perform well will appear to be more aware of their relative standing and purchase inappropriate products. It is unclear which theory is correct and, thus, if a minority or a majority of people misestimate their relative standing. Therefore, study 2 examines whether or not skilled consumers are less errorful in relative estimates than unskilled consumers.

By looking at participants’ estimates by their actual skill level on hard tasks, I was able to see which of the two arguments fit: the “unskilled-unaware” or “everyone-equally-unaware”. I predicted that, because domains that are perceived as difficult lead to significantly lower perceived percentiles (Kruger 1999), low performers would appear to be more accurate and high performers less accurate on difficult tasks (supporting the equally unaware hypothesis). If unawareness is universal, then it will be the unskilled participants who will appear to be more aware of their relative standing even on difficult tasks, just as it was the skilled who appeared to be more aware on Kruger and Dunning’s easier tasks.

In this experiment, 40 participants were given six sets of trivia questions that varied in difficulty. For each of the sets of trivia, participants indicated their predicted percentile rank and the difficulty of the task.

A repeated measures MANOVA revealed that average percentile estimates decreased as the tasks became more difficult. In the sets of trivia that resulted in the lowest percentile estimates, t-tests showed a reversal of the pattern reported by Kruger and Dunning (1999): Skilled participants were more inaccurate than unskilled participants were. Therefore, on hard tasks, it was the skilled performers who seemed unaware of their standing. This means that many more consumers than just the 25% of people that Kruger and Dunning hypothesized were unable to make accurate interpersonal assessments.

The results of these two studies demonstrate that skill-based consumption decisions are driven by comparative beliefs and that these beliefs and ultimately consumption itself can be predictably shifted. Furthermore, errors in interpersonal assessments are as common for skilled performers as for unskilled performers.

REFERENCES
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