Can Two Wrongs Make a Right? Accidental Accuracy in Predictions of Others’ Preferences Under Uncertainty
Katherine Burson, University of Michigan
David Faro, London Business School, UK
Yuval Rottenstreich, New York University

Marketers often must accurately predict consumers’ preferences under uncertainty. We focus on two key steps in such predictions. First, predictors must anticipate others’ beliefs about the likelihood of uncertain events. Second, predictors must anticipate the weight that beliefs will have on others’ choices. We find that predictors typically err at both steps. Intriguingly, the errors they make are of opposing directions and can result in “accidental” accuracy. Consequently, fixing either one of the errors can result in inaccurate predictions. An application of our analysis reveals a specific pattern by which principals diverge from optimal hiring strategies for agents.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/13454/volumes/v35/NA-35

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
SYMPOSIA SUMMARY
Truth or Consequences: The Ups and Downs of Perspective-Taking on the Accuracy of Predictions
Katherine Burson, University of Michigan, USA

SESSION OVERVIEW
Accurately predicting other people’s behavior and preferences is critical for consumers as well as managers. This is particularly relevant when people need to satisfy other people’s needs and preferences (managers—customers, husbands—wives) as well as when people’s own welfare partly depends on what others would do (e.g., negotiations). Prior research has suggested that taking the perspective of another person or other forms of mental simulation can improve the accuracy of such predictions. Perspective-taking efforts are also common in the market place. For example, managers sometimes take the role of consumers or employees, aiming to gain consumer insight that would bridge the gap between the company and its consumers. This session explores when and how perspective-taking can improve the accuracy of predictions and effectiveness of subsequent behavior. Four papers investigate the processes by which consumers assess others’ preferences and identify the mixed consequences of intervening in the manner in which they generate these assessments.

These four papers investigate the effects of changing perspectives (interpersonally or intrapersonally) on the quality of predictions. The first two papers examine the benefits of perspective-taking on the accuracy of predictions while the second two papers look at the costs of such interventions. The first paper, by Kruger and Evans, examines the tendency to seek out information that one is better off without. The authors find that, while people appear to not appreciate the downside of their own curiosity, they clearly see the negative consequences for others. While satisfying curiosity takes precedence over their own long-run happiness, not so when predicting what others need. Thus, decisions made for others are more realistic and better than those made for oneself. The second paper, by Tanner and Carlson, examines the role of unrealistic thinking in misprediction about oneself. The results show that, because consumers tend to predict idealized behavior rather than realistic behavior (e.g., downloading less music than is likely), they are willing to pay more for relevant products (e.g., iPods). But, simply asking consumers to change perspectives by imagining their ideal behavior before reporting a more realistic estimate debiases both the estimate and valuation of the product. However, perspective-taking can also have a negative effect on consumers’ behavior and predictions. The third paper, by Caruso, Epley, and Bazerman, investigates the cost of taking another person’s (like a retailer’s) point of view in exchanges with that person. Though perspective-taking makes people more realistic about how they should behave, it encourages even more selfish behavior because people assume the same from others. Finally, Burson, Faro, and Rottenstreich show that two opposing errors occur when someone predicts another’s preferences under uncertainty, but these errors tend to cancel out when left unchecked. When one of these errors is corrected by manipulations that aim to bridge the gap between the predictor and the target, overall predictions end up inaccurate.

These four papers feature research that connects research in psychology with issues important to marketers. They also explore seemingly incongruent findings to help us understand why sometimes perspective-taking helps and why it sometimes hurts the decision-making process and predictive accuracy. Taken together, these four papers suggest that the psychological processes underlying mispredictions about self and other are complex. Therefore, seemingly sensible interventions such as various types of perspective-taking can at some times improve accuracy and in others worsen it. It is thus important to recognize both the underlying psychological processes leading to accurate predictions and the consequences of altering this process on both predictions and subsequent consumer behavior. Overall, our findings add to marketing and psychology researchers’ growing efforts to understand and improve accuracy in predicting people’s preferences and behavior.

EXTENDED ABSTRACTS

“You Can’t Handle the Truth! A Self-Other Difference in the Pursuit of Unpleasant Information”
Justin Kruger, New York University
Matt Evans, DePaul University

In his “confessions,” Saint Augustine described a friend named Alypius who, though “utterly opposed to and detesting” gladiatorial shows, was nevertheless persuaded one day to visit a coliseum. Although determined to keep his eyes closed throughout the contest, upon hearing the cries of the audience at the brutal killing of one of the gladiators he was overcome with curiosity. Alypius opened his eyes, and in so doing “was struck with a deeper wound in his soul than the other…on whose fall that mighty clamor was raised” (St. Augustine 1943).

What is paradoxical about the story of Alypius is not merely that he did not know the consequences of his actions. After all, knowledge typically helps more than it hurts, and individuals can hardly be expected to perfectly predict the exceptions. An individual who opens a window expecting to see a rainbow, for instance, can hardly be faulted for merely seeing rain. Instead, what is paradoxical about Alypius’ fate—and, for that matter, that of Pandora, Eve, and, in case Christians did not get the hint, Lot’s (nameless) wife—was that it was voluntary. In his writings, Saint Augustine makes it clear that Alypius opened his eyes despite knowing that he would regret it later. In other words, Alypius pursued knowledge that, in some sense at least, he did not want to have.

We suspect that the story of Alypius rings true for most people. Who has not at one time or another insisted that the bearer of bad tidings—a doctor, a family member, or a disinterested date—“give it to us straight” without “sugar-coating” it, only to find that the truth can be a “bitter pill to swallow”? To be sure, such pursuits are occasionally premised on the hope that the information will turn out to be less dire than it appears. As well, there are clearly other occasions in which individuals expose themselves to unpleasant information because the perceived benefits outweigh the perceived costs. But there are also other occasions, we offer, in which individuals seek knowledge that they believe has no foreseeable benefit; knowledge that, as in the case of Alypius, they believe will cause more harm than good. Indeed, this is precisely the contention of Weiner (1986) and Loewenstein (1994), both of whom have argued that curiosity can cause individuals to seek information that they know they are better off without.

This research examined this tendency. We conducted a series of studies in which individuals were given the opportunity to gain knowledge—some hypothetical and some real—that was of ques-
tionable value (such as the content of a conversation about one’s faults or a photograph of one’s spouse caught in an act of infidelity). In each case, we found that people tended to expose themselves to information that they themselves believed they were better off without.

Of key importance, this tendency was reduced when deciding the fate of someone else. This finding is analogous to the influence of other visceral factors on judgment and decision making. Whereas one’s own visceral factors tend to have a large and sometimes overwhelming influence on judgment and decision making, the visceral factors experienced by others tend to have a much smaller influence (Loewenstein 1996). Whereas one’s own cravings for a cigarette can cause one to “light up” despite one’s sincere desire to quit, the cravings of others have much less an influence on behavior. Applied to curiosity, this suggests that individuals ought to be much less likely to expose others to unwanted information than they are to expose themselves to the same information—precisely the pattern we observed. Paradoxically, this can lead consumers to make better decisions for others than they do for themselves.

The implications for firms are just as paradoxical. Marketers frequently manage consumer (and public) opinion with careful control of the information about their firms (and the goods and/or services they provide) they make public. The researcher presented here suggests that firms may actually overestimate the negative impact of “full disclosure.”

“From Ideal to Real: How Taking an Idealized Perspective Can Undo Optimism”
Robin Tanner, Duke University
Kurt Carlson, Duke University

Individuals tend to make overly optimistic self assessments about themselves relative to others. While little studied in marketing, such optimism may have negative consequences for both marketers and consumers themselves (Kahn and Dhar 2007). Consider, for example, a middle aged man who expects to start exercising more next week. Given his expectations, he might allow himself a second dessert or he might buy a home exercise bike. However, if his expectations are optimistic (i.e., he will actually live a more healthy life in the future), the second dessert may have been ill consumed and the money spent on the exercise bike largely wasted. Thus, we suggest that consumers would be better off if they could make more realistic self assessments.

This research takes as its central premise the idea that optimistic bias in self assessments can cause consumers (and marketers relying on their assessments) to make poor decisions. We advance the idea that an over looked contributor to unrealistic optimism is that consumers selectively test a tentative hypothesis of idealistic behavior when estimating their future behavior. As such, one means to helping consumers make more realistic predictions derives from getting them to test more realistic hypotheses about their behavior. To examine this idea, we have consumers estimate their ideal behavior (e.g., “In an ideal world, how many times would you exercise next month?”) before estimating their actual behavior (e.g., “How many times will you exercise next month?”). We reason that requiring consumers to explicitly test an idealistic hypothesis before providing an estimate of actual behavior will cause them to adopt a more realistic hypothesis when contemplating their actual behavior.

In a series of studies participants estimate a variety of future behaviors, including blood donation, exercise frequency, willingness to pay for a product, completion time for a project, and saving for retirement. We consistently find that participants who first estimated their ideal behavior subsequently give more realistic estimates of their behavior (both objectively and compared to estimates of peers) than those in a control group. Furthermore, standard self assessments are largely indistinguishable from idealized ones, supporting our contention that the default process is to test a tentative hypothesis of ideal behavior.

We also find that the reduction in optimism brought about by first taking an ideal perspective influences downstream consumer decisions. For example, we find that prior consideration of idealistic usage leads participants to estimate a lower capacity utilization for an iPod (i.e., to estimate they will store fewer songs on it) than do participants in a control group. Consistent with the former group thinking in a less idealistic fashion about future iPod usage, they subsequently indicated a lower willingness to pay for an iPod. Finally, providing further support for our selective hypothesis account, we demonstrate that the observed attenuation of optimistic thinking is both mediated by an increase in accessibility of realistic thoughts and moderated by expertise.

“When Perspective Taking Increases Taking: Reactive Egoism in Social Interaction”
Eugene Caruso, University of Chicago
Nicholas Epley, University of Chicago
Max Bazerman, Harvard University

People often fail to achieve efficient solutions in social interactions partly because they tend to reason egocentrically about the appropriate allocation of limited resources. For instance, homeowners routinely demand more for their properties than home-buyers think is fair to pay, and spouses often disagree about the merits of spending now versus saving for later. Such divergent interests can lead to divergent perspectives, and failing to understand an opposing side’s viewpoint can exacerbate such egocentric assessments of fairness and create interpersonal conflict (Babcock & Loewenstein 1997; Messick 1995).

A seemingly simple and effective solution to such problems would be to reduce the egocentric biases by actively considering an opposing side’s perspective (e.g., Paese & Yonker 2001). In the present research, however, we suggest that the consequences of considering others’ perspectives may have a more complicated effect on social interaction. Although reducing an egocentric focus on one’s own concerns may make an optimal solution more readily available, we suggest it can ironically lead people to behave in an even less optimal fashion because considering others’ concerns may highlight self-interested motives in others’ perceptions or likely behavior. Because people tend to assume that others’ behavior is guided by their self-interest with relatively little concern about fairness or justice (Kramer 1994), this belief often exaggerates the impact of self-interest on others’ attitudes and thoughts (Miller 1999; Miller & Ratner 1998).

A person selling a house, for instance, might become even more focused on a buyer’s interest in obtaining a low selling price after considering the buyer’s perspective. Although this seller may now recognize that her house may be worth less than originally thought, she may also now feel compelled to demand an even higher selling price to balance out a presumably low offer from the opposing side. We suggest in this paper that perspective taking may inadvertently highlight cynical theories about how selfishly others are likely to behave. In three separate experiments involving both simulated and actual resource allocation tasks, we predicted that considering others’ perspectives in social interactions—namely competitive social interactions—would decrease egocentric or self-centered biases in judgments of what is objectively fair, but would also increase egocentric or self-interested behavior, compared to those who remain more egocentrically focused and do not consider others’ perspective.
In study 1, participants representing different fishing associations in a simulated social dilemma met to determine how much each association should reduce its current harvesting level to preserve fishing stocks. In study 2, undergraduates were asked to decide the appropriate amount of limited funds they should request from the Dean to improve life in their college dormitory. In study 3, participants baked cookies in cooperative or competitive groups, ostensibly sharing key ingredients with their other group members. Roughly half of the participants in each study were asked to consider the perspective of their fellow group members before making their judgments, whereas the other half were given no such instructions.

In all studies, participants asked to adopt the perspectives of their other group members claimed it was fair for them to take significantly less of the limited resource (fish, funds, or chips), but actually took more in competitive contexts than the groups who did not engage in perspective taking. Beliefs about how much other group members were likely to take predicted how selfishly the perspective takers themselves behaved. In marketer-consumer situations, such cynical theories about the motives of a perceived enemy are likely to be highly ingrained in the minds of both sides, which may increase the chances that attempts at perspective taking may do more harm than good. Because considering others’ perspectives can sometimes increase the very egoistic and detrimental behavior that it was designed to reduce, care should be taken when suggesting that people should look beyond their own perspective. Those who look into the minds of others may not always like what they see.

“Can Two Wrongs Make a Right? Accidental Accuracy in Predictions of Others’ Preferences Under Uncertainty”
Katherine Burson, University of Michigan
David Faro, London Business School
Yuval Rottenstreich, New York University

The prediction of other people’s preferences is an integral component of much decision making under uncertainty. Consider a manager at an innovative firm specializing in medical products. Among his or her many tasks, this manager may have to select between disparate product offerings. For instance, the manager may need to decide whether to offer the consumer a medical solution that is relatively safe but offers only limited recovery, or a treatment that offers greater recovery but is contingent, among other things, on consumers’ ability to persist with the treatment. In making this decision, the manager must predict how consumers would react to the relevant uncertainty: Would they prefer and be more motivated by the prospect of greater but uncertain recovery or prefer the relatively safer solution?

What steps are entailed in forming a prediction of others’ preferences? In our example, the manager must of course have some sense of how attractive different recovery outcomes would be to consumers. Beyond this most basic point of departure, at least two key steps are required. First, the manager must understand consumers’ beliefs about the likelihood of reaching a successful recovery. Second, the manager must understand the impact of these beliefs on consumers’ decision making. We present several experiments which suggest that in many contexts people systematically err at both of these steps. They both misunderstand others’ beliefs about the likelihood of successful completion of any task and misunderstand the impact that beliefs have on others’ decisions.

The first error is driven by egocentricism. Research on “better-than-average” and “worse-than-average effects” reveals that when tasks are easy, people estimate their own chances of success as high. However, they estimate that others’ chances are not as high. When tasks are difficulty, people think their chances of success are low, but that others’ chances are not as low (e.g. Moore and Small 2007). Therefore, people’s predictions of others’ beliefs about their likelihoods of success (e.g. medical recovery) are less extreme than those that others would actually report.

The second error is in predictions of the impact of others’ beliefs and is driven by affective reactions to risk and the frequent inability to emphasize with such reactions (see Loewenstein 1996). Though people overemphasize deviations from certainty and impossibility when making their own risky decisions, they believe that others will show this tendency to a lesser extent (Faro and Rottenstreich 2006). Thus, people’s predictions of the impact of beliefs on others’ decisions are more extreme than their actual impact on others’ decisions.

Data and analyses from three studies suggest that, although people may frequently err at both key steps of the prediction process, their errors may tend to offset each other. Therefore, people’s errors may often “cancel out” to yield predictions that are “accidentally accurate” overall. In predictions of others’ preferences under uncertainty, two wrongs can make a right. Our data also shows that, ironically, improving predictions at one step can worsen predictions overall, because a right and a wrong will combine to make an overall wrong.

In additional experiments, we demonstrate an important application of our analysis outside the domain of prediction. In particular, our analysis implies a specific pattern by which principals will diverge from optimal hiring strategies for agents. Our findings suggest that, especially in domains where principals and agents are on average equally able, principals will diverge from optimal hiring strategies and will engage in less extreme choices. When choosing whether to perform a difficult task on their own or to hire an agent, people will tend to overinvest in agents: the first error will lead them to believe that the agent’s chances of success are higher than their own, but, now as the principal, the second error will not correct for this misperception. When deciding about an easy task, people will tend to underinvest in agents: the first error will lead them to believe that the agent’s chances of success are lower than their own, but the second error will not correct for this misperception either. Thus, where the principal’s decision turns on the opportunity cost of his or her time, we might expect more frequent reliance on agents for difficult tasks than for easy tasks.

REFERENCES


Moore, Don A. and Deborah Small (2007), “Error and Bias in Comparative Social Judgment: On Being Both Better and Worse Than We Think We Are”, *Journal of Personality and Social Psychology (Forthcoming).*

