Comparative Knowledge and Consumer Choice

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Abstract

We examined whether manipulating consumers’ subjective knowledge would alter their preferences. In two studies we manipulated participants’ feeling of relative knowledge or ignorance by presenting a reference group which was more or less knowledgeable or by presenting a loosely related question that varied in difficulty. Participants’ choices were affected by their perceived relative knowledge. We found that participants who felt relatively knowledgeable were less susceptible to judgmental biases and reported that they were more likely to join retirement saving plan they knew little about.

Previous research on risky choice has shown that when people are primed to believe that they are comparatively ignorant they become more risk averse; when they are primed to believe that they are comparatively knowledgeable they become more risk seeking (Fox & Tversky, 1995; Fox & Weber, 2002).

The current paper examines whether non-risky consumer choice can be altered by manipulating consumers’ feeling of knowledge. Such findings may have very valuable consequences to domains in which consumers make suboptimal decisions such as employees’ tendency not to sign up for retirement saving plans. By designing plan information that would make consumers feel more or less knowledgeable about retirement saving, we might be able to help more consumers by encouraging them to save for retirement. We conducted two studies that provide preliminary evidence for the role of subjective knowledge in consumer choice.

In Study 1 we examined the effect on comparative knowledge on the conjunction fallacy, the mistaken belief that the conjoint events (A?B) are more likely than their constituents (A or B) when instances of the conjunctions are easier to recall (Tversky & Kahneman, 1983). 196 students were asked to imagine that they are offered four new medication packets, similar in number of pills and costs. These medications treated different symptoms: sore throat, weakness, fever, or fever particularly caused by sore throat. Participants were asked which medication they would be more likely to buy if they were to buy one of them. Participants in the “relative knowledge” condition were told that “The pharmaceutical company is presenting this choice to random people in downtown xx as well as to UCLA undergraduate students”; participants in the “relative ignorance” condition were told that “The pharmaceutical company is presenting this choice to Medical students and doctors at the university as well as to UCLA undergraduate students”. This information was given to the participants after the four medications had been presented and before they made their choice. We hypothesized that participants would feel relatively knowledgeable compared to random people in downtown, but relatively ignorant relative to Medical students and doctors.

Following the conjunction fallacy, we expected that, overall, more participants would choose the medication that treats fever caused by sore throat than the medication that treats fever only. Moreover, we expected participants in the “relative knowledge” condition to be more confident in their knowledge about medications compared to participants in the “relative ignorance” condition, and thus be more careful in their choice of medication and less susceptible to the conjunction fallacy.

The results supported our hypotheses: the proportion of participants who chose the “fever by sore throat” treatment (i.e., the conjunction) was lower than the proportion of participants who chose the “fever” treatment (i.e., the constituent event) in the “relative knowledge” condition (33.96% versus 66.04%, p=.001 one-tailed). No differences were found in the “relative ignorance” condition (46% versus 54%, p=.2142 one-tailed). In other words, making people feel that they are more knowledgeable made them less susceptible to the disjunction fallacy.

Study 2 examined the role of subjective knowledge in saving choices. Participants were provided information about retirement saving plans and were told that they would subsequently be asked to estimate on a 7-point Likert scale the likelihood that they would join such retirement plan in the future, when they have steady jobs. Participants were further informed that before they estimate the chances of