

# Decision Processes Colloquia

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Monday, April 24, 2023

Where: **260 JMHH**

When: **12:00 – 1:20 pm**

**Berkeley Dietvorst**

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## Aligning Algorithms with Consumers' Predication Preferences

### ABSTRACT:

Many companies promote predictive algorithms to consumers in the form of recommendation systems, navigations apps, robo-advisors, and many others. However, little is known about consumers' preferences for predictions. In this work, I explore the goals that consumers adopt when making predictions, and test whether they are more likely to use algorithms built to accomplish those same goals. I find that most people who are asked to make a prediction adopt the goal of maximizing the frequency of perfect predictions. This contrasts with the goals of many popular algorithms, which are often built with objectives like minimizing squared error, minimizing average absolute error, or maximizing a likelihood function. Further, I find that people making incentivized predictions prefer algorithms built to maximize the frequency of perfect predictions to those built to minimize some function of error. Finally, I find that people are more likely to adopt algorithms built to maximize perfect predictions when choosing whether to use an algorithm or their own judgment for an incentivized prediction.