MARKETING COLLOQUIA

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Where: *741 JMHH*

When: *12:00 PM* to 1:20 PM

HIGHLIGHTING UNCERTAINTY: DOES IT DECREASE OR INCREASE CONSUMER CONFIDENCE?

ABSTRACT:

“Consumers are overconfident—they think they know more than they actually do” (Alba and Hutchinson, 2000). Excessive confidence can prevent consumers from objectively evaluating evidence and limit their ability to make well-informed choices. At its core, overconfidence arises because consumers don’t fully recognize how uncertain the world is and how little they know. In this talk, I examine the effectiveness of an intervention designed to reduce overconfidence by prompting people to better appreciate uncertainty and the possibility that they might be wrong. This intervention is often referred to as “constructing a belief distribution,” which involves asking people to consider all possible outcomes and indicate their likelihoods. Prior work provides preliminary evidence suggesting that this intervention would reduce overconfidence by forcing consumers to consider alternative possibilities. I provide a clean test of the question and find that constructing a belief distribution counterintuitively *increases* overconfidence. This is because the process of allocating probabilities to different outcomes is infused with confirmatory reasoning: People tend to allocate probabilities in a way that *reinforces* their prior beliefs. In other words, what appears to be a promising remedy for overconfidence may instead inadvertently exacerbate overconfidence.