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# Managerial Empathy Facilitates Egocentric Predictions of Consumer Preferences

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# Managerial Empathy Facilitates Egocentric Predictions of Consumer Preferences

Common wisdom suggests that managerial empathy (i.e., the mental process of taking a consumer perspective) helps executives to separate their personal consumption preferences from those of consumers, thereby preventing egocentric preference predictions. The results of the present investigation, however, show exactly the opposite. First, the authors find that managerial empathy ironically accelerates self-reference in predictions of consumer preferences. Second, managers' self-referential tendencies increase with empathy because taking a consumer perspective activates managers' private consumer identity and thus their personal consumption preferences. Third, empathic managers are less likely to use market research results as a consequence of their self-referential preference predictions. Finally, the findings imply that when explicitly instructed to do so, managers are capable of suppressing their private consumer identity in the process of perspective taking which helps them to reduce self-referential preference predictions. To support their conclusions, the authors present four empirical studies with 480 experienced marketing managers and show that incautiously taking the perspective of consumers causes self-referential decisions in four contexts: product development, communication management, pricing, and celebrity endorsement.

***Keywords:*** consumer preference predictions, managerial empathy, managers' consumer identity, managerial decision making, responsiveness to market research

According to a recent survey among more than 1,200 CEOs in 60 countries, 66 percent of business leaders believe that incorporating the consumer's voice in managerial tasks is the highest priority for the success of both managers and their companies (PwC 2012). In the same vein, a survey of global marketing executives indicated that understanding consumer preferences and taking a consumer view in managerial decision making is the key marketing challenge firms currently face (Frost and Sullivan 2012).

In order to bring the consumer's perspective to the center of managerial decision making, both marketers and researchers have emphasized the importance of managers developing empathy for the consumer (e.g., Dahl, Chattopadhyay, and Gorn 1999; Dietvorst et al. 2009; Franke and Park 2006; Grant 2011; Homburg, Wieseke, and Bornemann 2009; Rifkin 1994). Managerial empathy is defined as the mental process of taking the perspective of consumers in an effort to understand their needs.[1] For instance, a manager of the car manufacturer Mercedes-Benz has recently stressed that all employees of the company have to "look at things from the customer's perspective […] to see what the customer wants" (AutomotiveNews 2012). Similarly, Stauffer (2001, p. 3) argues that "front-line workers aren't the only ones who need to see things from the customer's perspective […] All employees must have an external focus." Moreover, Rifkin (1994; see also Dahl, Chattopadhyay, and Gorn 1999) posits that, in the case of designing a new product, managers should be empathic by imagining a consumer using the product to successfully create market-oriented offerings. Despite the prominence of the belief that empathy is important, surprisingly little research has actually examined the influence of managers' empathy on their decision processes.

In this research, we therefore examine the impact of empathy on one of the most important managerial tasks: predicting consumer preferences (Faro and Rottenstreich 2006; Hsee

and Weber 1997). Specifically, we examine how empathy affects the influence of managers' *personal consumption preferences* on *predicted consumer preferences*. Conventional wisdom suggests that empathy decreases self-referential preference predictions because perspective taking "allows us to overcome our usual egocentrism" (Decety and Lamm 2006, p. 1151) and moreover, "the feature shared by all instantiations of perspective taking is the need to get beyond one's own point of view to consider the world from another's perspective" (Epley and Caruso 2009, p. 299; see also research on perspective taking in social interactions, for instance, Epley, Caruso, and Bazerman 2006; Higgins 1981; Kurt and Inman 2013). This common belief also seems to be prevalent among practitioners as a pilot study we conducted with 43 marketing managers (mean age: 43.1; 72.1 percent male) indicated. Indeed, 76.7 percent of the participants were convinced that managers who put themselves into the shoes of consumers would be less affected by their personal consumption preferences when making consumer-related decisions.

Our research, however, shows exactly the opposite, that is, empathy ironically is found to accelerate self-referencing in managerial predictions of consumer preferences. In particular, building on multiple identity research (e.g., Ashforth and Johnson 2001; Johnson et al. 2006; Mandel 2003; Puntoni, Sweldens, and Tavassoli 2011), we assume that managers have at least two identities: their professional identity as managers and their personal identity as consumers. Empathic managers put themselves into the shoes of consumers, which means that they play the role of a consumer, imagine acting and feeling like a consumer, and they simulate consumers' product and service experiences (Dahl, Chattopadhyay, and Gorn 1999; Stotland 1969). We argue that as empathic managers assume the mental processes of a consumer, they unwittingly activate their own consumer identity. With an increased activation of their consumer identity, empathic managers' personal consumption preferences become more accessible (Bolton and

Reed 2004; Forehand, Deshpandé, and Reed 2002; Reed 2004; Zhang and Khare 2009), thereby influencing their construal of consumer preferences. Thus, although empathic managers try to overcome their egocentric processing as a professional decision maker, their well-intentioned efforts actually backfire by increasing self-referential consumer preference predictions.

Moreover, our findings indicate that empathic managers are less likely to consider the results of objective market research as a consequence of their self-referential preference predictions. This result is at variance with the notion that empathy is positively related to managers' market orientation (e.g., Gebhardt, Carpenter, and Sherry 2006), which includes responsiveness to market intelligence (e.g., Kennedy, Goolsby, and Arnould 2003; Kohli and Jaworski 1990; Moorman, Deshpandé, and Zaltman 1993).

Finally, our investigation explores whether marketing managers are able to suppress their consumer identity in order to prevent an egocentric bias when empathizing. Our results suggest that making managers aware of the egocentric bias and explicitly instructing them to suppress their consumer identity in the process of perspective taking can indeed eliminate the self-referential effect of empathy. Hence, when managers are more mindful of the danger of this self-referential effect they are better able to use empathy to make consumer preference predictions.

In the following sections, we develop our theorizing and present supporting evidence from four studies with 480 experienced marketing managers (Perkins and Rao 1990). In order to enhance the generalizability of our findings, we investigate the relationship between empathy and self-referential preference predictions in different decision making contexts: product development, communication management, pricing, and celebrity endorsement.

## THEORETICAL BACKGROUND

### Managerial Empathy and Self-Referential Predictions of Consumer Preferences

Over the past few decades, researchers have investigated how individuals predict the preferences of others, specifically in the fields of social psychology (e.g., Ames and Iyengar 2005; Krueger and Clement 1994), consumer research (e.g., Lerouge and Warlop 2006; Orhun and Urminsky 2013), and more recently in the management literature (e.g., Faro and Rottenstreich 2006). In this line of research, studies in various contexts − such as risk preferences (e.g., Hsee and Weber 1997; Lee and Andrade 2011), product preferences (e.g., Ames and Iyengar 2005; Orhun and Urminsky 2013), and preference predictions of either familiar others (e.g., Lerouge and Warlop 2006) or unfamiliar others (e.g., Faro and Rottenstreich 2006; Hsee and Weber 1997) − have consistently demonstrated that individuals often build on their *personal preferences* in predicting those of others.

In overcoming self-referential preference predictions, extant research suggests that empathy might support individuals in abstracting away from their personal preferences (e.g., Decety and Jackson 2004; Epley, Caruso, and Bazerman 2006; Kurt and Inman 2013; Regan and Totten 1975). This is because empathy is defined as the mental process of taking the perspective of others in an effort to understand their needs (Davis 1980; Epley, Savitsky, and Gilovich 2002; Homburg, Wieseke, and Bornemann 2009; Regan and Totten 1975), which "has been contrasted with egocentrism in which a person is embedded in his or her own point of view" (Higgins 1981, p. 120; see also Piaget 1926).

At first glance, the rationale that empathy can help a marketing manager to abstract away from personal consumption preferences when predicting consumer preferences seems plausible. However, in this context, where the independence between marketing manager and consumer can sometimes be blurred, there is reason to expect exactly the opposite. Indeed, according to identity research, individuals can hold multiple identities such as that of a friend, a parent, or a

colleague (e.g., Ashforth and Johnson 2001; Johnson et al. 2006; Mandel 2003; Puntoni, Sweldens, and Tavassoli 2011). Drawing from this research, we assume that marketing managers have at least two identities – their *professional identity as managers* and their *private identity as consumers*. While both identities are part of the manager's self, the momentary activation of each identity is considered to be variable. In fact, previous research points out several factors influencing the situational activation of an individual's multiple identities (e.g., Reed et al. 2012). For example, cue stimuli such as gender (Puntoni, Sweldens, and Tavassoli 2011), morality (Aquino et al. 2009), and ethnic primes (Forehand, Deshpandé, and Reed 2002) have been shown to trigger specific identities germane to the prime.

But how might a manager's empathy influence the activation of each identity? Managers who put themselves into the shoes of a consumer would seek to play the role of a typical consumer, attempting to act and feel as a consumer, and they would simulate consumers' product and service experiences (Dahl, Chattopadhyay, and Gorn 1999; Stotland 1969). For example, a manager at Starbucks might visualize a consumer's experience in a Starbucks café, starting with the consumer entering a café, interacting with personnel, ordering a beverage and a snack, and enjoying the atmosphere in the café. At the same time, an empathic Starbucks manager might conduct systematic thought experiments in which (s)he mentally varies certain components of the service offer to anticipate consumers' reactions, such as the impact of price adjustments or the introduction of a new blend of coffee.

While the process of empathizing is exclusively directed to the experiences of a typical consumer in the market, it can also be considered as a prime of a manager's consumption mindset or identity. For example, the aforementioned Starbucks manager's visualization of consumers enjoying a drink or snack might also trigger consumption-related thoughts on the part

of the manager, such as his or her favorite beverage or snack. Hence, the mental process of taking the consumer's perspective might push managers into their own consumption microcosm and activate their own consumer identity which in turn brings their personal consumption preferences to the surface (Forehand, Deshpande, and Reed 2002; Reed 2004; Zhang and Khare 2009). In contrast, a Starbucks manager who does not engage in perspective taking is less likely to activate his/her personal consumer identity and hence, his/her personal consumption preferences are relatively less salient.

Overall, we argue that empathizing with consumers not only helps managers to visualize and anticipate consumers' product and service experiences – it also makes managers' consumer identity and their personal consumption preferences more salient which unfortunately can interfere with managers' construal of consumer preferences. Although the Starbucks manager's personal preference for a certain product is a questionable predictor of a consumer's evaluation of the same product, we hypothesize that the manager's perception of consumer preferences is clouded by his/her personal consumption preferences. This is consistent with prior research demonstrating that salient information is likely to be used in decision making, even when the information is not relevant for a particular judgment (e.g., Jacoby et al. 1989; Menon and Raghubir 2003; for a review, see Higgins 1996).

Figure 1 summarizes our theorizing. Our main argument is that empathizing with consumers activates a manager's consumer identity, which in turn is likely to lead to self-referential consumer preference predictions. More formally:

**H1:** Compared to non-empathic managers' predictions, empathic managers' predictions of consumer preferences are more influenced by their personal consumption preferences.

**H2:** The activation of a manager's consumer identity mediates the relationship between

empathy and the influence of a manager's personal consumption preferences on predicted consumer preferences.

[Insert Figure 1 about here]

**Managerial Empathy and Consumer-Identity Suppression**

Given that our theorizing is correct, a rather natural question that arises is whether decision makers can reap the benefits of empathizing with consumers without generating self-referential preference predictions. Specifically, and in light of hypothesis 2, it is of particular interest to investigate whether managers are capable of suppressing their consumer identity while empathizing in order to avoid self-referencing. A straightforward strategy to answer this research question is to make managers aware of the self-referential effect of empathy and to explicitly instruct them to suppress their consumer identity while empathizing with consumers.

Initial evidence for the effectiveness of identity suppression instructions in the context of preference predictions can be found in Bolton and Reed's (2004) work on neutralizing identity-driven judgments. In their second study, the authors primed participants' identity as business executives and tested whether the positive effect of this identity on predicted attitudes of others towards emissions trading would be reduced by activating a "counter identity" (an environmentalist identity). The authors found that participants' initial business identity was successfully deactivated when they were instructed to suppress this identity and assume an environmentalist identity. This finding suggests that individuals can indeed put an initially activated identity aside when forming judgments of others' opinions. Thus, we hypothesize:

**H3:** Explicitly instructing managers to suppress their own consumer identity in the process of perspective taking mitigates the self-referential effect of empathy on consumer preference predictions.

Notably, empirical support for hypothesis 3 would imply that decision makers are indeed capable of suppressing their consumer identity when empathizing, and moreover, simply communicating the results of the present investigation could help immunize managers against self-referential effects. Importantly, support for this hypothesis would also provide additional evidence for the postulated process (activation of managers' consumer identity) behind the self-referential effect of empathy (Spencer, Zanna, and Fong 2005).

**Managerial Empathy and Use of Market Research**

Up to this point, we have not yet elaborated on the fact that in practice, managers are often provided with objective market research on consumer preferences (Moreau, Krishna, and Harlam 2001). Naturally, the question arises whether the hypothesized self-referential tendencies realized through empathy can shape the way managers process objective market research on consumer preferences.

According to previous research, empathic (versus non-empathic) managers may be motivated to use objective market research in their decision making (e.g., Gebhardt, Carpenter, and Sherry 2006). However, if our theorizing that empathy can cause self-referential preference predictions is correct, the opposite might be true as well. Specifically, taking the perspective of consumers to understand their needs is equivalent to conducting "mental market research" on consumer preferences. According to hypothesis 1, the result of this mental market research process is highly self-referential and thus in line with the manager's personal consumption preferences. Moreover, it is conceivable that mental and objective market research diverge because managers' personal consumption preferences are unlikely to be in line with the consumption preferences of a typical consumer. In this case, empathic managers are forced to make a trade-off between mental and objective market research, while non-empathic managers

do not engage in mental market research and hence, they do not have to make such trade-offs. As a result, non-empathic managers may be motivated to construe consumer preferences based on objective market research only. It follows:

**H4:** Compared to non-empathic managers, empathic managers discount the value of objective market research on consumer preferences.

Please note that managers' responsiveness to market intelligence is a key dimension of market orientation (e.g., Kennedy, Goolsby, and Arnould 2003; Kohli and Jaworski 1990; Moorman, Deshpandé, and Zaltman 1993). Therefore, evidence for a detrimental effect of empathy on the value of market research would be inconsistent with the notion that empathy is positively related to a manager's market orientation.

**Summary**

Our research contributes to the extant literature in a number of ways. This investigation is the first to explore whether managerial empathy increases or decreases self-reference in predictions of consumer preferences. Importantly, we study the role of managers' personal consumer identity in forming self-referential predictions of consumer preferences. Moreover, we examine whether managers are able to suppress their personal consumer identity in the process of empathizing and to reduce self-referential preference predictions. Finally, we explore whether empathy increases or decreases managers' responsiveness to other available consumer information (i.e., objective market research results).

Next, we present the results of four studies with 480 marketing managers in different decision-making contexts. Specifically, study 1 demonstrates that empathy increases self-reference in predictions of consumer preferences in a product development context using a self-reported measure of empathy. Moreover, we find that the more empathic managers are, the more

they discount the value of objective market research on consumer preferences. Study 2 replicates and extends these findings in a communication management setting by experimentally manipulating managers' empathy. Study 3 investigates the effect of empathy on self-referential preference predictions in a pricing task and shows that the activation of a manager's consumer identity mediates this effect. Finally, study 4 uses the context of celebrity endorsement to examine the impact of consumer identity suppression instructions on the self-referential effect of empathy. The findings here suggest that the self-referential effect dissipates when managers suppress their consumer identity in the process of empathizing.

## STUDY 1

The main purpose of this study was to investigate whether empathy increases the influence of a manager's personal consumption preferences on predicted consumer preferences. Specifically, we invited experienced marketing managers to complete a case study on a product development process in the automotive industry. To ensure a realistic case study, we consulted marketing managers of a leading international car manufacturer and modified the case write-up according to their recommendations.

### Method

Ninety-three marketing managers (mean age: 41.4; 84.9 percent male) were recruited from a large alumni pool of a European management school to take part in the study. Participants were given information on a hypothetical car manufacturer, the CarGroup. Furthermore, they learned that the board of the CarGroup has decided to develop a new car model.

Participants were then asked to take the role of a marketing manager of the CarGroup. More specifically, they were members of the strategy team responsible for the development of the new car model. In order to prepare for a meeting of the strategy team, participants were

provided with the results of a recent market research project on the most important car attributes for a typical consumer in the target market. To make them familiar with the market research data, participants were asked to fill out the corresponding questionnaire themselves. As a result, they had to indicate their personal preferences for several car attributes. Specifically, they were asked to assign 100 points to the following product attributes that characterize the car market (Horsky and Nelson 1992): design, performance, dependability, comfort, sustainability, and prestige. We used a constant sum scale to explicitly capture trade-offs between the product attributes (Krosnick and Alwin 1988). This measure is used as the independent variable in our analysis.

Subsequently, participants were provided with the results of the market research project. The results were presented in form of a line chart, visualizing consumers' average point allocation to the six aforementioned product attributes. The shown point allocation[2] is in line with real market research reports in the automotive industry and with statements by the managers we consulted when designing this study. Then, participants were asked to steer the product development process by assigning 100 points to the six car attributes. In particular, we asked them to define the character of the new car model in line with the preferences of a typical consumer in the market. This measure was the dependent variable in our analysis.

Next, we measured managerial empathy using the following four items (adapted from Davis 1980): (1) "I tried to take the perspective of a typical consumer in this market," (2) "It was very easy for me to put myself into the shoes of a typical consumer," (3) "I tried to understand what a typical consumer's needs are by imagining how things look from his/her perspective," and (4) "I tried to imagine how a consumer would feel in this market." For all items, we used seven-point scales (1 = "completely disagree," 7 = "completely agree"). We formed an empathy index by averaging the items ($\alpha = .716$). This measure served as a moderator variable in our

analysis.

Finally, we used the following item to measure the degree to which participants considered the market research results as valuable: “The market research results shown were extremely valuable” (1 = “completely disagree,” 7 = “completely agree”). Participants also indicated their age, gender, work experience in market research, the year in which they bought their current car, and the brand of their current car. Finally, they completed an open-ended suspicion probe question on the purpose of the study.

**Results**

*Preliminary checks.* An examination of the responses to the suspicion probe question revealed that none of the participants was aware of the true purpose of the study. Further, the measured covariates (age, gender, work experience in market research, the year in which participants bought their current car, and the brand of their current car) did not affect the results of our analyses. Therefore, these variables do not receive further discussion.

*Test of hypothesis 1.* We tested hypothesis 1 by regressing assigned weights in the management task on participants’ personal importance weights, empathy, and the interaction of both variables. The results of the six regression analyses for the corresponding product attributes are shown in table 1 and figure 2.

[Insert Table 1 and Figure 2 about here]

For each product attribute, we find a positive main effect of participants’ personal importance weights on predicted consumer preferences, indicating that on average, participants draw on their personal consumption preferences in predicting the preferences of a typical consumer in the target market. Further, with the exception of the attribute performance, none of the main effects of empathy is significant. Importantly, there is a positive interaction effect for

each attribute, supporting hypothesis 1: Empathy increases the influence of participants' personal preferences on predicted consumer preferences. While the interaction effect is highly significant for five out of six product attributes, the term is only marginally significant for the attribute prestige.

In addition, we explored the interaction effects more closely by conducting simple slope analyses at one standard deviation unit above (high empathy) and below (low empathy) the mean of empathy. For the attribute design, we find that the slopes for both low empathy ($b_{LowEmpathy}$ = .207, t = 2.55, $p < .05$) and high empathy ($b_{HighEmpathy}$ = .559, t = 5.45, $p < .001$) are significant. Similar results are found for the attribute prestige ($b_{LowEmpathy}$ = .229, t = 1.82, $p < .07$; $b_{HighEmpathy}$ = .506, t = 4.60, $p < .001$), although the slope for low empathy is only marginally significant. For the remaining attributes, performance ($b_{LowEmpathy}$ = .094, t = 1.30, $p > .20$; $b_{HighEmpathy}$ = .491, t = 5.24, $p < .001$), dependability ($b_{LowEmpathy}$ = -.015, t = -.15, $p > .88$; $b_{HighEmpathy}$ = .297, t = 2.79, $p < .01$), comfort ($b_{LowEmpathy}$ = -.009, t = -.09, $p > .93$; $b_{HighEmpathy}$ = .306, t = 2.70, $p < .01$), and sustainability ($b_{LowEmpathy}$ = .115, t = 1.26, $p > .21$; $b_{HighEmpathy}$ = .588, t = 5.98, $p < .001$), we find that the effect of personal consumption preference on predicted consumer preference is significant for high empathy but not for low empathy.

Finally, we applied the Johnson-Neyman technique to isolate the values of empathy for which the simple slopes are statistically significant (Hayes and Matthes 2009; Johnson and Fay 1950; Johnson and Neyman 1936; Spiller et al. 2013). As illustrated in figure 3, the results based on a 95% confidence band suggest that participants begin to project their personal preference onto consumers at quite moderate levels of empathy (Johnson-Neyman points of significance: design: 3.4; performance: 3.8; dependability: 4.7; comfort: 4.6; sustainability: 3.8; prestige: 3.7).

[Insert Figure 3 about here]

*Test of hypothesis 4.* As shown in figure 2, highly empathic managers' predictions of consumer preferences deviate substantially from the market research results (dashed lines), while the predictions of less empathic managers are largely in line with the market research results. To further corroborate this finding, we regressed the value participants assigned to the market research results on the empathy index. Consistent with the pattern in figure 2, we find a negative and significant effect ($b = -.453$, $t = -2.99$, $p < .01$): Empathic (versus non-empathic) managers discount the value of market research on consumer preferences, supporting hypothesis 4.

Overall, the results of study 1 suggest that managers predict consumer preferences by finding a trade-off between objective market research results and their personal consumption preferences. In other words, their predictions of consumer preferences can be interpreted as a point lying on a continuum between purely market research-driven predictions and purely egocentric predictions. Furthermore, hypotheses 1 and 4 imply that empathizing shifts this point away from market research-based towards egocentric predictions. The size of this empathy-caused shift along the market research-personal preference continuum can be inferred from the results of our regression analyses. For example, assume that a manager's personal importance rating for the attribute *design* is 40 while the market research results imply that on average, consumers' importance rating for this attribute is 20. As shown in figure 2, this manager's predicted consumer preference is approximately 25 for low empathy and approximately 32 for high empathy. Because the score of 25 is at 25 percent of the continuum between market research (20 or 0 percent) and personal preference (40 or 100 percent) and a score of 32 is at 61 percent of the continuum,[3] the relative shift caused by empathy is 36 percent. This result implies a substantial reduction in managers' use of objective market research results and a significant increase in egocentric consumer preference predictions. Similar analyses for the remaining

attributes revealed comparable relative shifts from market research-driven towards egocentric preference predictions (performance: +47 percent; dependability: +22 percent; comfort: +25 percent; sustainability: +45 percent; prestige: +34 percent; for details, see Web Appendix A).[4]

**Discussion**

This study provides support for our main hypothesis that managerial empathy can backfire when predicting consumer preferences. Specifically, the results suggest that taking a consumer perspective increases the influence of managers' personal consumption preferences on predicted consumer preferences. In other words, empathic managers project their personal consumption preferences onto consumers, while non-empathic managers are less affected by their personal consumption preferences. This finding is clearly at odds with the lay belief that empathic managers are able to abstract away from their own tastes to gain superior insights about the preferences of their consumers. Our results also imply that empathic managers are less likely to rely on market research results when forming predictions of consumer preferences. This finding is not in line with the notion that empathy is positively related to managers' market orientation, which includes responsiveness to market intelligence.

Although the findings of study 1 provide initial support for our main hypothesis, they are based on self-selection into high and low empathy groups. Strictly speaking, without random assignment and experimental control, we cannot assert that empathy causes self-referential preference predictions. To corroborate the findings of study 1, we thus use an explicit manipulation of managers' empathy in studies 2 through 4. We also expand the generalizability of our results by using other decision making contexts as well as other measures of managers' personal consumption preferences and predicted consumer preferences.

## STUDY 2

In study 2, we experimentally manipulated managerial empathy. Furthermore, to enhance the generalizability of our initial findings, we used a communication management context in this study.

**Method**

For study 2, we recruited 233 marketing managers (mean age: 45.2; 76.4 percent male) from an international marketing association. Participants were told that they would complete two independent studies. The first study took place under the cover of a psychological investigation of the relationship between personal identity and advertisement perceptions. More specifically, participants first answered questions on their personal identity and, subsequently, they watched several advertisements, including two real ads of the luxury watch manufacturer Rolex. Then, they indicated their personal liking of each advertisement on an 11-point scale (1 = "I strongly dislike this advertisement," 11 = "I strongly like this advertisement").

After completing a filler task, participants were asked to go on with the second study. Similar to Brown (1999), participants were told that the second study investigates strategic decision making under uncertainty. They were asked to assume the role of the head of marketing of Rolex who attends a final meeting on the launch of a new Rolex advertisement. They were informed that due to increased competition in the market, Rolex has recently been concerned about consumers' perceptions of its advertisements. Participants learned that there are two different spots Rolex's management can choose from. Subsequently, they were shown the two Rolex advertisements from the first study. The first advertisement featured a sailing context ("sailing ad"; length: 32 seconds) and the second advertisement dealt with a golf context ("golf ad"; length: 29 seconds).

Participants were then randomly assigned to either an "empathy" or a "no empathy"

condition (cf. Davis et al. 2004). Participants in the empathy group were asked to describe a typical target customer of Rolex, to imagine a target customer's thoughts when watching the two advertisements, and to anticipate potential reactions to the advertisements. We assumed that participants would have a clear impression of a prestige-oriented target customer of Rolex (Puligadda, Ross, and Grewal 2012). Participants in the "no empathy" condition did not receive such instructions. All participants were then provided with the results of market research on customers' evaluations of both ads.[5] Subsequently, participants estimated target customers' attitudes towards each advertisement on an 11-point scale (1 = "the target customer strongly dislikes this advertisement," 11 = "the target customer strongly likes this advertisement").

Finally, participants were asked to complete a short questionnaire. As a check of the empathy manipulation, they indicated their level of empathy on the same four-item scale that was used in study 1 ($\alpha = .851$). Moreover, we measured the degree to which participants considered the market research results as valuable (we used the same item as in study 1). Further, participants indicated their age, gender, and they responded to an open-ended question on the purpose of the study.[6]

**Results**

*Preliminary checks.* Responses to the open-ended question revealed that none of the participants was able to infer the true goal of the study and they were not aware of a link between both tasks. The manipulation of empathy was successful: An ANOVA with the measure of empathy as the dependent variable and the manipulation of empathy as the independent factor showed a significant effect ($M_{NoEmpathy} = 5.41$; $M_{Empathy} = 5.76$; $F(1, 231) = 5.60$, $p < .05$).

*Test of hypothesis 1.* To test hypothesis 1 for each advertisement, we regressed predicted consumer evaluations on participants' personal liking scores, the empathy manipulation, and the

interaction of both variables. The results are shown in table 2 and figure 4.

[Insert Table 2 and Figure 4 about here]

For both advertisements, we find a positive main effect of participants' personal liking scores, indicating that managers' personal evaluations influence their predictions of consumer evaluations. Further, there was no main effect of empathy on predicted consumer evaluations. For both advertisements, the analyses revealed a positive interaction effect between managers' personal evaluations and the empathy manipulation on predicted consumer evaluations. That is, empathy seems to increase the influence of managers' personal tastes on predicted consumer preferences. This result is in line with hypothesis 1. Simple slope analyses revealed positive effects of managers' personal preferences on predicted consumer preferences for both experimental conditions (sailing ad: $b_{NoEmpathy} = .257$, $t = 3.70$, $p < .001$; $b_{Empathy} = .460$, $t = 6.59$, $p < .001$; golf ad: $b_{NoEmpathy} = .178$, $t = 2.98$, $p < .01$; $b_{Empathy} = .415$, $t = 6.81$, $p < .001$).

*Test of hypothesis 4.* The results in figure 4 show that predictions of managers in the "empathy" condition deviate substantially from the market research results (dashed lines). The difference between consumer preference predictions and market research results is smaller for managers in the "no empathy" condition. This observation is consistent with the effect of empathy on the value participants assigned to the market research results: An ANOVA with indicated market research value as the dependent variable showed a negative and significant effect of the empathy manipulation ($M_{NoEmpathy} = 3.96$; $M_{Empathy} = 3.54$; $F(1, 231) = 4.40$, $p < .05$). These results support hypothesis 4.

Finally, we used the same method as in study 1 to quantify the size of the empathy-caused shift from market research-based to egocentric consumer preference predictions. On a scale ranging from purely market research-driven preference predictions (0 percent) to purely

egocentric preference predictions (100 percent), managers' predictions in the empathy condition (sailing ad: 49 percent; golf ad: 28 percent) were substantially more egocentric and less market research-based than in the control condition (sailing ad: 26 percent; golf ad: 5 percent; for more details, see Web Appendix C).[7]

**Discussion**

In contrast to study 1, we used an experimental manipulation of empathy in study 2 and investigated its effect on self-referential preference predictions in a communication management setting. Consistent with study 1, we find that empathy increases the influence of a manager's personal consumption preferences on predicted consumer preferences. Furthermore, the results again imply that empathy decreases managers' perceived value of objective market research on consumer preferences.

## STUDY 3

In support of hypothesis 1, studies 1 and 2 imply that empathy increases the influence of managers' personal consumption preferences on predicted consumer preferences. However, the underlying mechanism of this effect remains to be investigated. Hence, a third study was designed to achieve the following three goals. First, we aimed to replicate the empathy-caused self-reference effect in a third decision making context while using another measure of managers' personal consumption preferences. Specifically, study 3 was based on a pricing task and managers' personal consumption preferences were measured by their willingness to pay for products. Second, in studies 1 and 2, we provided managers with market research information to support their prediction process. In study 3, we sought to test the robustness of the self-referential effect of empathy against a context in which managers are not provided with market research information. Third, and most importantly, we tested hypothesis 2 that indicates that the

activation of a manager's consumer identity mediates the effect of empathy on self-referential preference predictions.

**Method**

For study 3, we recruited 61 marketing managers from the alumni association of a European management school (mean age: 45.1; 86.2 percent male). Participants were told that they would participate in two unrelated investigations. The first investigation was framed as a pretest of a new and simple approach to measure consumers' willingness to pay for products. The actual purpose of the first investigation, however, was to measure participants' personal willingness to pay, that is, their personal preference for several products. They were shown ten products (e.g., a marketing journal, a chicken sandwich) and they were asked to indicate their willingness to pay for each product. The order of the products was randomized.

After a filler task, the second investigation took place. It was framed as a case study on strategic pricing under uncertainty. Participants were given information on a fictitious coffeehouse company, UniCafé, and were asked to take the role of its marketing manager. They were told that UniCafé is about to open its first coffeehouse close to a university and that its target consumers are the university's students. Further, they were told that they are responsible for pricing UniCafé's products.

Managerial empathy was manipulated as in study 2 (cf. Davis et al. 2004) and hence, participants were randomly assigned to either an "empathy" or a "no empathy" condition. Managers in the empathy condition were asked to describe a typical student of the university and to imagine a student consuming coffee and other products at UniCafé. Participants in the "no empathy" condition did not receive such instructions. Then, participants set the price for eight products offered by UniCafé (e.g., blueberry muffin, raisin bagel, a cup of coffee). To test our

hypotheses, we also included one product from the first investigation, the chicken sandwich. The order in which the products were presented was again randomized.

Finally, all participants completed a short questionnaire that included empathy items, measures of the proposed mediator, potential confounding factors,[6] and questions regarding the goal of the study. To assess managerial empathy, we used the same items as in studies 1 and 2 ($\alpha$ = .723). In addition, we used three items to measure managers' activation of their consumer identity (1 = "completely disagree," 7 = "completely agree"): "When making my decisions, I was wondering about what I would like to (1) 'drink in this coffeehouse', (2) 'eat in this coffeehouse', (3) 'consume in this coffeehouse.'" The three items were averaged to form an index ($\alpha$ = .845). Finally, participants indicated their age, gender, education, income, and completed an open-ended suspicion probe on the purpose of the study.

**Results**

*Preliminary checks.* An analysis of the responses to the suspicion probe revealed that none of the participants was able to infer the true purpose of the study. Furthermore, none of the participants realized that the two investigations were related. Importantly, the manipulation of empathy was successful ($M_{NoEmpathy}$ = 4.96; $M_{Empathy}$ = 5.58; $F(1, 59) = 5.54$, $p < .05$). Controlling for age, gender, education, and income did not affect the results reported in the next sections.

*Test of hypothesis 1.* Hypothesis 1 was tested by regressing the price for a chicken sandwich in the management task on participants' personal willingness to pay for a chicken sandwich, the empathy manipulation, and the interaction of both variables. The results of this analysis are shown in table 3 (regression 2) and figure 5.

[Insert Table 3 and Figure 5 about here]

We find a positive effect of managers' personal willingness to pay on the product price in

the management task (.193, t = 2.72, $p < .01$). Further, there was a marginally significant main effect of empathy (-.413, t = -1.84, $p < .10$). Supporting hypothesis 1, the analysis revealed a positive interaction effect between managers' personal willingness to pay and the manipulation of empathy on the price in the management task (.222, t = 2.06, $p < .05$). Furthermore, simple slope analyses indicated that the effect of managers' personal willingness to pay is positive and significant for both the "no empathy" condition ($b_{NoEmpathy} = .193$, t = 2.72, $p < .01$) and the "empathy" condition ($b_{Empathy} = .415$, t = 5.13, $p < .001$).

*Test of hypothesis 2.* We proposed that empathy activates a manager's consumer identity, which in turn increases the effect of a manager's personal consumption preferences on predicted consumer preferences (see figures 1 and 6).

[Insert Figure 6 about here]

To test hypothesis 2, we ran a series of four regression models (see table 3) and performed a bootstrap-based significance test of mediation. Specifically, hypothesis 2 is supported if five conditions are met. First, empathy must increase the activation of a manager's consumer identity (path *a* in figure 6). The corresponding coefficient in regression 1 (table 3) is positive and significant. Second, there should be a positive interaction effect between empathy and willingness to pay on product price. As shown in the preceding section (hypothesis 1), the corresponding coefficient in regression 2 (table 3) is positive and significant. Third, there should be a positive interaction effect between the activation of a manager's consumer identity and willingness to pay on product price (path *b* in figure 6). The corresponding coefficient in regression 3 (table 3) is positive and significant. Fourth, the interaction effect between empathy and willingness to pay (path *c* in figure 6) should vanish when controlling for the interaction effect between the activation of a manager's consumer identity and willingness to pay (path *b* in

figure 6). Regression 4 (table 3) shows that the former interaction effect is not significant and the latter interaction effect remains positive and significant. Finally, we used a bootstrap-based analysis (e.g., Preacher and Hayes 2008) to test whether the indirect effect $a \times b$ is significant. Because of the unconventional structure of our mediation model, we used the general statistics software R (Venables, Smith, and the R Core Team 2012) to generate 5,000 resamples and applied the bias-corrected, accelerated bootstrap method (DiCiccio and Efron 1996). The 95% confidence interval for the indirect effect ($a \times b = .860 \times .116 = .100$) does not include zero (CI = [.011; .281]) and hence the indirect effect is significant. Overall, these findings suggest that the effect of empathy on self-referential preference predictions is fully mediated via activation of a manager's consumer identity. These results are in line with hypothesis 2.[8]

**Discussion**

Overall, study 3 replicates the main finding of studies 1 and 2 in a pricing context. Specifically, study 3 again supports hypothesis 1 by showing that empathy increases the influence of a manager's personal consumption preferences on predicted consumer preferences. This effect holds in a context in which managers are not provided with objective market research information (cf. studies 1 and 2). Importantly, study 3 also sheds light on the mechanism behind the self-referential effect of empathy. Our mediation analysis suggests that empathy activates a manager's consumer identity, which in turn increases self-referential preference predictions.

## STUDY 4

The purpose of study 4 was threefold. First, we sought to further the generalizability of our results and investigated the self-referential effect of empathy in another decision making context (i.e., celebrity endorsement). Second, in studies 1 through 3, managers indicated their personal preferences before predicting consumer preferences and one might wonder whether the

results presented so far are robust against order effects. In study 4, we therefore randomized the order in which managers indicated personal preferences and predicted consumer preferences. Third, we tested whether managers are capable of suppressing their private consumer identity in the process of perspective taking, thereby avoiding self-referential predictions (hypothesis 3).

**Method**

*Overview.* Ninety-eight marketing managers were recruited from the alumni association of a European management school to participate in two allegedly unrelated studies. The cover story stated that one study ("celebrity study") explores individuals' attitude toward celebrities, while the other study investigates strategic decision making under uncertainty ("decision making study"). In reality, the celebrity study was designed to measure participants' personal attitude towards five celebrities, including the soccer player Cristiano Ronaldo who was the target celebrity in this investigation.[9] In the decision making study, we manipulated managerial empathy and asked participants to predict consumer reactions towards Cristiano Ronaldo as a product endorser. The two studies were separated by a filler task and we randomized the order of the two studies. Hence, study 4 was a 3 (no empathy, empathy, modified empathy) x 2 (order: personal preferences first, predicted consumer preferences first) between-subjects experiment.

Before participants began the two studies, they were shown five celebrities, including Cristiano Ronaldo, and were asked to indicate whether they know each celebrity. Five participants did not know the target celebrity and were thus excluded from the studies, leaving 93 participants who completed both studies (mean age: 46.4; 86.2 percent male).

*Celebrity study.* In the celebrity study, participants were shown pictures of the five celebrities. Each celebrity appeared on a separate page and the presentation order was randomized. Participants were asked to indicate their *personal attitude* toward each celebrity by

responding to four seven-point items (unfriendly-friendly, unpleasant-pleasant, not likable-likable, negative-positive). For the target celebrity, Cristiano Ronaldo, these items were averaged to obtain a personal attitude index ($\alpha = .858$).

*Decision making study.* In the decision making study, participants received information on a fictitious company producing video games, PGames, and were asked to take the role of its marketing manager. They were told that PGames was in the process of launching a new soccer game and the management of PGames considers hiring Cristiano Ronaldo as a celebrity to endorse the video game. Furthermore, participants were informed that it is their job as a marketing manager to anticipate consumers' reactions to this specific celebrity.

Next, we randomly assigned participants to one of three empathy conditions (no empathy, empathy, or modified empathy). As in studies 2 and 3, participants in the "empathy" condition were asked to describe a typical user of the new video game and to imagine a user's thoughts when seeing Cristiano Ronaldo as an endorser of the video game. Again, participants in the "no empathy" condition did not receive such instructions. Participants in the "modified empathy" condition received the same instructions as those in the "empathy" condition and were additionally instructed to suppress their personal consumer identity in the process of perspective taking. The additional identity-suppression instruction reads as follows: "Recent research has shown that when taking the perspective of consumers, managers frequently fail to suppress their own consumption preferences, needs, and attitudes. Therefore, please do <u>not</u> think about your personal consumption preferences, needs, and attitudes when taking the perspective of the consumer and only focus on the target consumer's preferences, needs, and attitudes."

After the empathy manipulation, participants were asked to estimate consumers' attitude toward the target celebrity Cristiano Ronaldo. We used four seven-point items (unfriendly-

friendly, unpleasant-pleasant, not likable-likable, negative-positive) to measure predicted consumer evaluations of the celebrity. The items were averaged to form an index ($\alpha = .903$).

At the end of the decision making study, we used the same items as in studies 1-3 to measure managerial empathy ($\alpha = .798$). Furthermore, we used three items to assess managers' consumer identity activation (1 = "completely disagree," 7 = "completely agree"): "During the task, I was wondering whether I, as a customer, would like (1) 'to see Cristiano Ronaldo as an endorser of the video game,' (2) 'to see Cristiano Ronaldo on the cover of the video game,' and (3) 'the video game cover with a picture of Cristiano Ronaldo on it.'" The items were averaged to form an index ($\alpha = .802$). Additionally, we measured potential confounding factors.[6]

After completing both studies, participants indicated their age, gender, and whether they own a video game console. Finally, they completed an open-ended suspicion probe on the purpose of the studies.

**Results**

*Preliminary checks.* None of the participants was aware of the true purpose of the studies. Furthermore, an ANOVA with perceived empathy as the dependent variable revealed a significant effect of the empathy manipulation ($F(2, 90) = 5.21$, $p < .01$). As expected, participants in the no empathy condition ($M_{NoEmpathy} = 4.57$) displayed significantly less empathy than those in the empathy condition ($M_{Empathy} = 5.10$; $F(1, 90) = 3.98$, $p < .05$) and those in the modified empathy condition ($M_{ModifiedEmpathy} = 5.41$; $F(1, 90) = 9.12$, $p < .01$). The difference between the latter two conditions was not significant ($F(1, 90) = .94$, $p > .33$) and hence, the additional identity suppression instruction did not affect participants' level of empathizing. Furthermore, there were no effects of age, gender, and owning a video game console.

*Test of hypotheses 1 and 3.* Since there are three empathy conditions, we defined two

dummy variables which were used as independent variables in a series of regression analyses (Dummy1: 1 for participants in the "empathy" condition and 0 otherwise; Dummy2: 1 for participants in the "modified empathy" condition and 0 otherwise). The effect of Dummy1 represents the difference between the "empathy" and the "no empathy" condition and the effect of Dummy2 represents the difference between the "modified empathy" and the "no empathy" condition. To test our hypotheses, we regressed managers' predicted consumer attitude toward Cristiano Ronaldo (measured in the decision making study) on their personal attitude toward Cristiano Ronaldo (measured in the celebrity study), the two dummy variables, and the interaction of each dummy variable and participants' personal attitude toward Cristiano Ronaldo. The results of this analysis are shown in table 4 (regression 1) and figure 7.

[Insert Table 4 and Figure 7 about here]

As expected, managers' personal attitude toward the target celebrity had a positive and significant effect on estimated consumer attitude (.296, t = 2.52, $p < .05$). The two dummy variables exhibited no significant main effects. In support of hypothesis 1, the interaction between Dummy1 and managers' personal attitude was positive and significant (.868, t = 3.48, $p < .001$), that is, empathizing increased manager's self-reference when predicting consumer preferences. Most importantly, however, the interaction between Dummy2 and managers' personal attitude was not significant (.035, t = .15, $p > .89$), indicating that empathizing did not increase self-reference for managers in the "modified empathy" condition (see figure 7). Simple slope analyses revealed that the effect of managers' personal attitude toward the celebrity is positive and significant for the conditions "no empathy" ($b_{NoEmpathy} = .296$, t = 2.52, $p < .05$) and "empathy" ($b_{Empathy} = 1.164$, t = 5.29, $p < .001$), while the simple slope for the "modified empathy" condition is positive but not significant ($b_{ModifiedEmpathy} = .330$, t = 1.60, $p > .11$).

The results suggest that managers in the "modified empathy" condition were indeed able to suppress their consumer identity which in turn eliminated the self-referential effect of empathy, supporting hypothesis 3. To further this interpretation, we conducted an ANOVA with managers' indicated consumer identity activation as the dependent variable and the three empathy conditions as the independent factor. This analysis revealed a significant effect ($F(2, 90) = 3.60$, $p < .05$) and contrast analyses show a pattern consistent with our interpretation (cf. figure 7): Participants in the "empathy" condition indicated significantly more thoughts about their consumer identity ($M_{Empathy} = 4.93$) than those in the "no empathy" condition ($M_{NoEmpathy} = 3.97$; $F(1, 90) = 6.74$, $p < .05$) and those in the "modified empathy" condition ($M_{ModifiedEmpathy} = 4.02$; $F(1, 90) = 4.11$, $p < .05$). The difference between the latter two conditions was not significant ($F(1, 90) = .02$, $p > .90$).

*Order effects.* To test whether the order in which managers indicated their personal attitudes and their predictions of consumer attitudes would affect the results, a second regression equation was estimated that included an additional dummy variable. The dummy variable "Order" has the value 0 (1) for managers indicating their personal attitudes before (after) estimating consumer attitudes. As shown in table 4 (regression 2), our results hold when controlling for order effects.

**Discussion**

This study replicates once more the basic finding that empathy increases the influence of managers' personal consumption preferences on predicted consumer preferences. Enhancing the validity of this finding, this study shows the effect in the context of celebrity endorsement and its robustness against switching the order in which managers' personal consumption preferences and their predicted consumer preferences are assessed.

More important, this study identifies how one can mitigate the self-referential effect of empathy in the context studied here. It appears that explicit instruction to suppress the manager's consumer identity successfully removes the self-referential bias from the process of perspective taking. In other words, the empathy-caused self-reference is eliminated when holding constant the proposed mechanism (consumer identity activation). This line of reasoning is in the spirit of experimental mechanism analysis (Spencer, Zanna, and Fong 2005) and provides further evidence for the process postulated in hypothesis 2.

## GENERAL DISCUSSION

Marketing practitioners and researchers have recognized the importance of bringing the consumer's voice to the center of managerial decision making by instructing executives to put themselves into the shoes of consumers, that is, to be empathic. In line with this, research has shown that empathy supports, for instance, a product manager in creating appealing products (e.g., Dahl, Chattopadhyay, and Gorn 1999). However, to the best of our knowledge, no prior work has explored how empathy affects a manager in performing one of the most important managerial tasks: predicting consumer preferences. The present investigation addresses this research question, and in the following sections we discuss theoretical contributions, practical implications, and opportunities for further research.

### Theoretical Implications

Our research makes a number of theoretical contributions. First, although common wisdom suggests that empathy reduces the influence of personal preferences in construing preferences of others, our investigation implies exactly the opposite. Specifically, the findings of four studies across a variety of marketing decision contexts (i.e., product development, communication management, pricing, celebrity endorsement), using different preference

measures (i.e., constant sum scales, semantic differential items, willingness to pay), and drawing either on self-reported or experimentally manipulated empathy show that empathy increases the influence of a manager's personal preferences on predicted consumer preferences.

Second, we explain the self-referential effect of empathy by combining research on perspective taking and the literature on multiple identities. In particular, we argue that managers have two identities, their professional identity as a manager and their private identity as a consumer, which can differ in their momentary activation. We show that empathy activates managers' private consumer identity and thus their personal consumption preferences. The activation of their personal preferences, in turn, leads to self-referential preference predictions.

Third, we contribute to the literature by showing that managers are capable of suppressing their private consumer identity in the process of perspective taking, thereby avoiding self-referential preference predictions. Specifically, our research shows that managers that are explicitly instructed to avoid thinking about their private consumer identity do not fall victim to the self-referential effect of empathy.

Fourth, research has largely neglected to investigate the relationship between managers' empathy and their use of objective market research results. The findings of studies 1 and 2 suggest that empathic managers are less likely to rely on objective market research as a consequence of their self-referential preference predictions. This finding is alarming since responsiveness to market intelligence is considered to be a key dimension of managers' market orientation (e.g., Kennedy, Goolsby, and Arnould 2003; Kohli and Jaworski 1990; Moorman, Deshpandé, and Zaltman 1993). Notably, the basic finding of empathy-caused self-referencing when predicting consumer preferences also remains in contexts where managers are not provided with market research information (cf. studies 3 and 4).

Finally and more generally, the marketing literature has predominantly considered decision makers' professional behavior as independent from their private consumption behavior. However, our results imply that managers' professional decisions are strongly influenced by their personal consumption preferences. In other words, our work contributes to the literature by linking two areas in marketing research (Wierenga 2011): managerial decision making and consumer research. By investigating a manager's dual role as a professional decision maker *and* as a consumer, we were able to identify a so-far unknown and unfortunately undesirable effect: managerial empathy facilitates egocentric predictions of consumer preferences.

**Managerial Implications**

The research presented in this article offers important insights for marketing practice. Every day, marketers form predictions of consumer preferences, for example, when developing new products, designing advertisements, or pricing products. Previous work has argued that taking a consumer perspective can support marketers in the process of construing consumer preferences. Our findings, however, suggest that marketers should be aware of the self-referential effect that is triggered by empathic activities. Further, empathy is likely to reduce managers' responsiveness to objective market research information. Decision makers who are aware of these undesirable effects may be able to protect themselves against self-referential tendencies. In particular, our research shows that managers can suppress their personal consumer identity during the empathic processing if they actively look to do so. Active management of the process is shown to mitigate self-referential tendencies. Thus, marketing managers reading or being informed about the results of the present research will be better prepared for effective empathizing activities focused on consumers.

**Limitations and Future Research Opportunities**

This concluding section highlights several limitations of our studies and points out a number of research opportunities. First, in this research, we considered empathy as a situation-specific concept rather than an enduring individual ability (e.g., Faro and Rottenstreich 2006). Although we anticipate a similar pattern of results, future research could explore the effect of a manager's enduring tendency to empathize with consumers on self-referential preference predictions.

Second, we did not directly measure the accuracy of managers' preference predictions and its relationship to empathy. Although it appears that personal consumption preferences are questionable predictors of consumer preferences, more research on this topic using explicit measures of prediction accuracy seems warranted.

Third, in studies 1 and 2, we found empathic managers' predictions to deviate substantially from market research results on consumer preferences, while non-empathic managers' predictions were largely in line with market research results. Future research could broaden the investigation of empathy and the use of market research results, for instance, by examining the role of different forms of market research information (e.g., qualitative versus quantitative market research results).

Finally, since incorporating the consumer's view by putting oneself into the shoes of consumers has surged in popularity in management practice, more research, particularly field research, is needed to fully elucidate the identified self-referential tendency triggered by empathy. In general, it is our hope that the current research provides a rationale and stimulus for future investigations into managerial decision making and, particularly, when and how bringing the consumer's perspective to the center of decision makers' processes can provide both positive and negative outcomes.

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**FOOTNOTES**

1. Although empathy has sometimes been conceptualized as a multidimensional concept including affective (e.g., empathic concern) and cognitive components (i.e., perspective taking; Davis 1983), we limit our theorizing to the cognitive component because it is predominant in the manager-consumer context we study here (i.e., where managers often do not know their consumers in person/have no direct contact) and affective components play a minor role (e.g., Dahl, Chattopadhyay, and Gorn 1999; Homburg, Wieseke, and Bornemann 2009). Hence, the term empathy in this research exclusively refers to the cognitive process of perspective taking (cf. Epley, Savitsky, and Gilovich 2002). Moreover, we take a situation-specific view on empathy and do not conceptualize it as an individual-difference variable (for a discussion see Duan and Hill 1996).
2. Design: 20 points; performance: 15 points; dependability: 21 points; comfort: 14 points; sustainability: 14 points; prestige: 16 points.
3. The minor difference between 61 percent and 60 percent (=12/20) results from rounding.
4. For purposes of simplification, we only report the results for a manager's personal preference score of 40 for each product attribute. However, please note that similar shift sizes are obtained for other personal preference scores.
5. Average consumer rating on an 11-point scale: sailing ad: 8.6; golf ad: 7.6.
6. In studies 2-4 we also included the following confounding checks: cognitive load, perceived similarity to target consumer, perceived closeness to target consumer, merging of a manager's self and target consumer, decision confidence, and decision difficulty (for additional, study-specific confounding checks see Web Appendix B). No significant effects were found for any of these variables in studies 2-4.
7. For purposes of simplification, we only report the results for a manager's personal evaluation score of 4 for each advertisement. However, please note that similar shift sizes are obtained for other personal evaluation scores.
8. We found no indirect effects for other potential mediators: perceived similarity to target consumer ($a \times b$ = -.006; 95% CI = [-.115; .098]), perceived closeness to target consumer ($a \times b$ = .008; CI = [-.033; .110]), merging of a manager's self and target consumer ($a \times b$ = .004; CI = [-.025; .082]), decision confidence ($a \times b$ = -.011; CI = [-.108; .019]), decision difficulty ($a \times b$ = -.026; CI = [-.165; .015]), and decision accountability ($a \times b$ = -.022; CI = [-.118; .013]).
9. Cristiano Ronaldo was chosen as target celebrity because the study took place three weeks before FIFA, the international soccer association, announced the world soccer player of the year and European media reported daily about the voting with Cristiano Ronaldo being the top candidate (e.g., http://www.bbc.com/sport/0/football/25300076).

**TABLE 1: Results of Regression Analyses (Study 1)**

| Independent Variable | parameter | t-value | *p*-value |
|---|---|---|---|
| | **Weight assigned to *Design* in management task** ($R^2$ = .274) | | |
| Intercept | 20.323 | 36.106 | .000 |
| Manager's personal preference for *Design* | .383 | 5.449 | .000 |
| Empathy | -.228 | -.454 | .651 |
| Interaction term | .156 | 2.941 | .004 |
| | **Weight assigned to *Performance* in management task** ($R^2$ = .254) | | |
| Intercept | 15.566 | 31.934 | .000 |
| Manager's personal preference for *Performance* | .293 | 4.905 | .000 |
| Empathy | .889 | 2.045 | .044 |
| Interaction term | .175 | 3.386 | .001 |
| | **Weight assigned to *Dependability* in management task** ($R^2$ = .104) | | |
| Intercept | 20.909 | 34.317 | .000 |
| Manager's personal preference for *Dependability* | .141 | 2.011 | .047 |
| Empathy | -.812 | -1.488 | .140 |
| Interaction term | .137 | 2.164 | .033 |
| | **Weight assigned to *Comfort* in management task** ($R^2$ = .076) | | |
| Intercept | 14.752 | 30.369 | .000 |
| Manager's personal preference for *Comfort* | .149 | 2.140 | .035 |
| Empathy | -.121 | -.279 | .781 |
| Interaction term | .139 | 2.015 | .047 |
| | **Weight assigned to *Sustainability* in management task** ($R^2$ = .303) | | |
| Intercept | 15.429 | 24.776 | .000 |
| Manager's personal preference for *Sustainability* | .352 | 5.112 | .000 |
| Empathy | .549 | .990 | .325 |
| Interaction term | .209 | 3.630 | .000 |
| | **Weight assigned to *Prestige* in management task** ($R^2$ = .208) | | |
| Intercept | 13.095 | 22.687 | .000 |
| Manager's personal preference for *Prestige* | .367 | 4.250 | .000 |
| Empathy | -.210 | -.408 | .685 |
| Interaction term | .122 | 1.729 | .087 |

Note: unstandardized betas are shown; manager's personal preference and empathy are mean-centered

**TABLE 2: Results of Regression Analyses (Study 2)**

| **Independent Variable** | **parameter** | **t-value** | ***p*-value** |
|---|---|---|---|
| | **Predicted consumer evaluation of *Sailing Ad*** ($R^2$ = .201) | | |
| Intercept | 8.470 | 55.857 | .000 |
| Manager's personal evaluation of *Sailing Ad* | .257 | 3.700 | .000 |
| Empathy | -.201 | -.923 | .357 |
| Interaction term | .203 | 2.061 | .040 |
| | **Predicted consumer evaluation of *Golf Ad*** ($R^2$ = .197) | | |
| Intercept | 7.938 | 56.238 | .000 |
| Manager's personal evaluation of *Golf Ad* | .178 | 2.984 | .003 |
| Empathy | -.129 | -.638 | .524 |
| Interaction term | .236 | 2.768 | .006 |

Note: unstandardized beta coefficients are shown; manager's personal evaluation is mean-centered; empathy is dummy-coded (0 = "no empathy" condition; 1 = "empathy" condition)

**TABLE 3: Results and Mediation Analysis (Study 3)**

| **Independent Variable** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Regression 1: Activation of manager's consumer identity** ($R^2$ = .069) | | | | | | | | |
| | **beta** | | | **t-value** | | | ***p*-value** | | |
| Empathy | .860 *(a)* | | | 2.056 | | | .044 | | |
| | **Price for Chicken Sandwich in management task** | | | | | | | | |
| | **Regression 2** | | | **Regression 3** | | | **Regression 4** | | |
| | **parameter** | **t-value** | ***p*-value** | **parameter** | **t-value** | ***p*-value** | **parameter** | **t-value** | ***p*-value** |
| Intercept | 5.907 | 39.473 | .000 | 5.802 | 52.473 | .000 | 5.969 | 41.155 | .000 |
| Manager's willingness to pay | .193 | 2.717 | .009 | .321 | 6.039 | .000 | .264 | 3.664 | .000 |
| Empathy | -.413 | -1.837 | .071 | | | | -.389 | -1.769 | .082 |
| Empathy × manager's willingness to pay | .222 | 2.059 | .044 | | | | .122 *(c)* | 1.141 | .259 |
| Activation of manager's consumer identity | | | | -.079 | -1.168 | .248 | -.044 | -.647 | .521 |
| Activation of manager's consumer identity × manager's willingness to pay | | | | .132 *(b)* | 3.505 | .000 | .116 *(b)* | 2.979 | .004 |
| | $R^2$ = .401 | | | $R^2$ = .443 | | | $R^2$ = .484 | | |

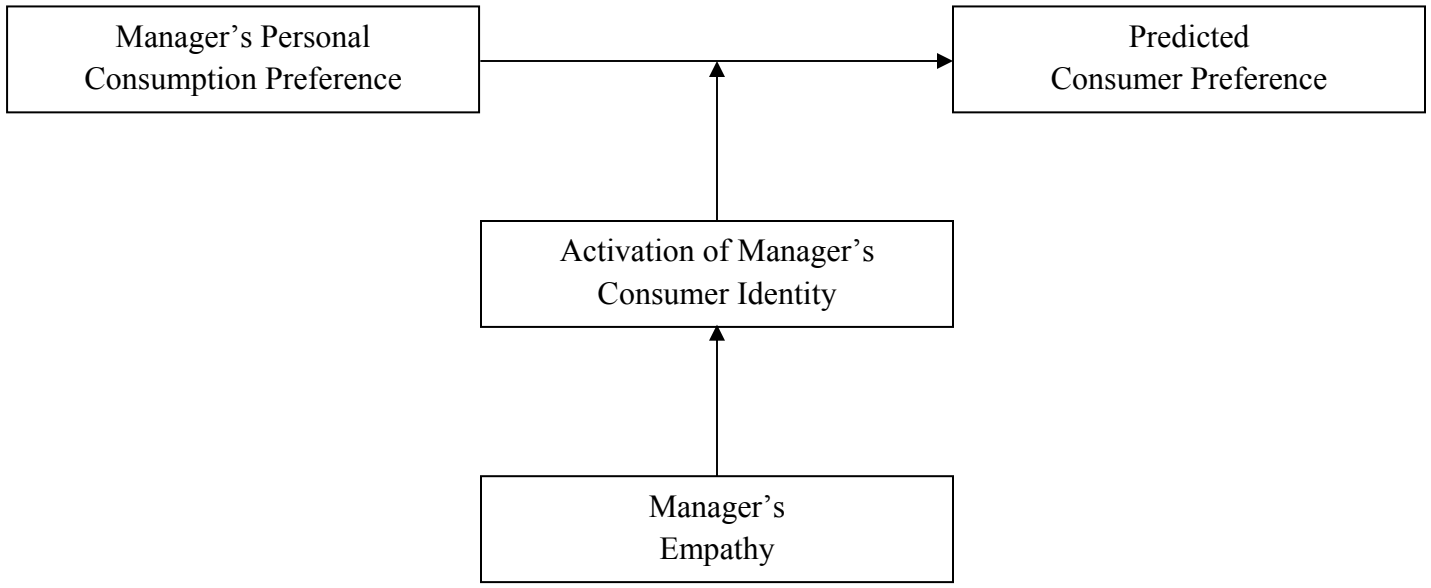
Note: unstandardized betas are shown; manager's (personal) willingness to pay and activation of manager's consumer identity are mean-centered; empathy is dummy-coded (0 = "no empathy" condition; 1 = "empathy" condition); *(a)*, *(b)*, and *(c)* estimate the corresponding paths in figure 6

**TABLE 4: Results of Regression Analyses (Study 4)**

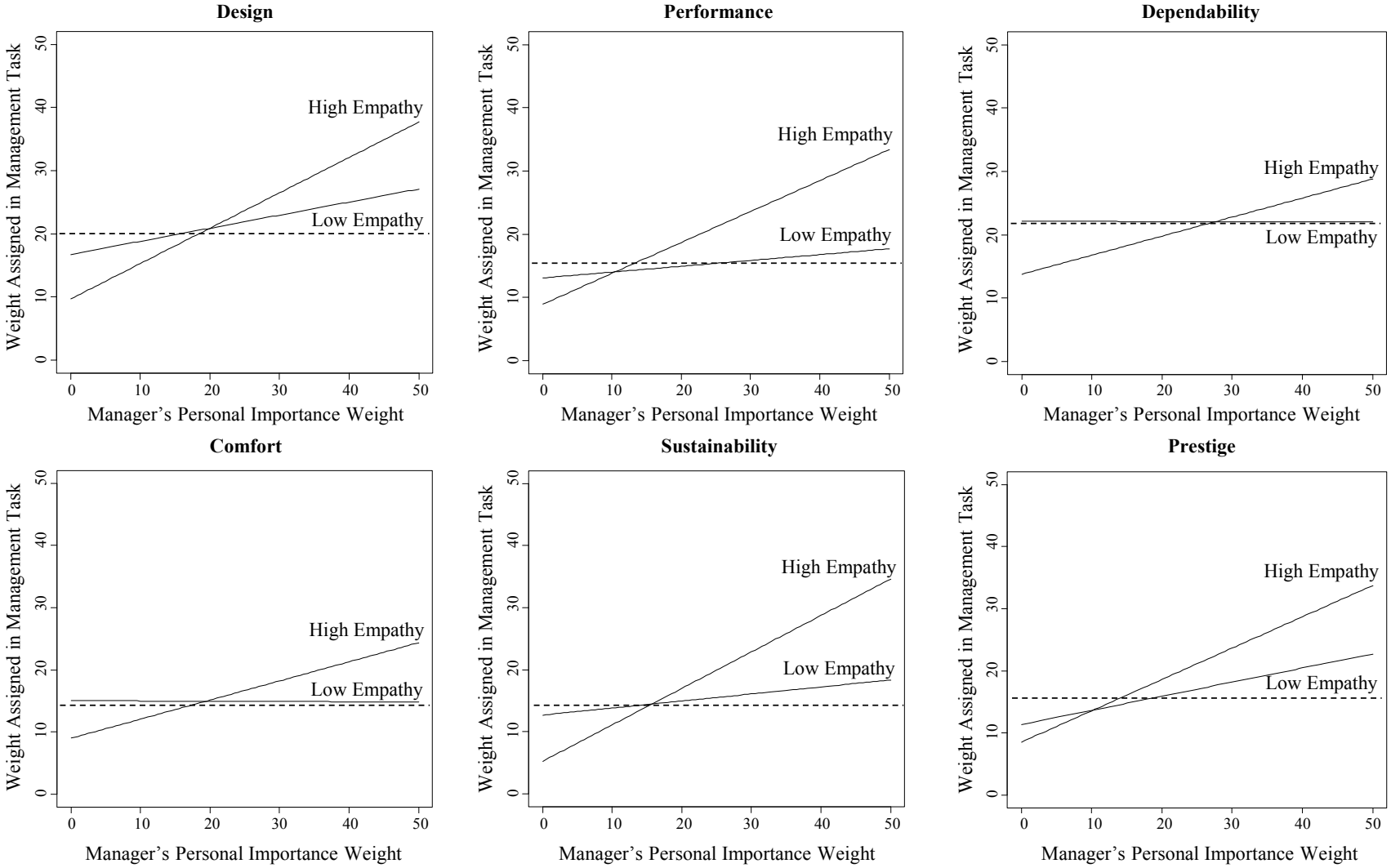
| | **Predicted consumer evaluation of *Cristiano Ronaldo*** | | | | | |
|---|---|---|---|---|---|---|
| | **Regression 1** | | | **Regression 2** | | |
| **Independent Variable** | **parameter** | **t-value** | ***p*-value** | **parameter** | **t-value** | ***p*-value** |
| Intercept | 4.424 | 37.970 | .000 | 4.362 | 28.166 | .000 |
| Manager's personal attitude toward *Cristiano Ronaldo* | .296 | 2.515 | .014 | .316 | 2.015 | .047 |
| Dummy1 | .156 | .754 | .453 | .178 | .606 | .547 |
| Dummy2 | -.107 | -.485 | .629 | .177 | .593 | .555 |
| Dummy1 × Manager's personal attitude toward *Cristiano Ronaldo* | .868 | 3.481 | .001 | .939 | 2.212 | .030 |
| Dummy2 × Manager's personal attitude toward *Cristiano Ronaldo* | .035 | .145 | .885 | -.113 | -.319 | .751 |
| Order | | | | .191 | .757 | .451 |
| Order × Manager's personal attitude toward *Cristiano Ronaldo* | | | | -.108 | -.423 | .673 |
| Order × Dummy1 | | | | -.168 | -.307 | .759 |
| Order × Dummy2 | | | | -.701 | -1.525 | .131 |
| Order × Dummy1 × Manager's personal attitude toward *Cristiano Ronaldo* | | | | -.039 | -.062 | .951 |
| Order × Dummy2 × Manager's personal attitude toward *Cristiano Ronaldo* | | | | .371 | .747 | .458 |
| | $R^2 = .301$ | | | $R^2 = .323$ | | |

Note: unstandardized betas are shown; manager's personal attitude is mean-centered; dummy1 (1 for participants in "empathy" condition; 0 otherwise), dummy2 (1 for participants in "modified empathy" condition; 0 otherwise), and order (0 = personal attitude indicated first; 1 = predicted consumer attitude indicated first) are dummy-coded variables

**FIGURE 1: Conceptual Model and Structural Relationships Implied by Hypotheses 1 and 2**



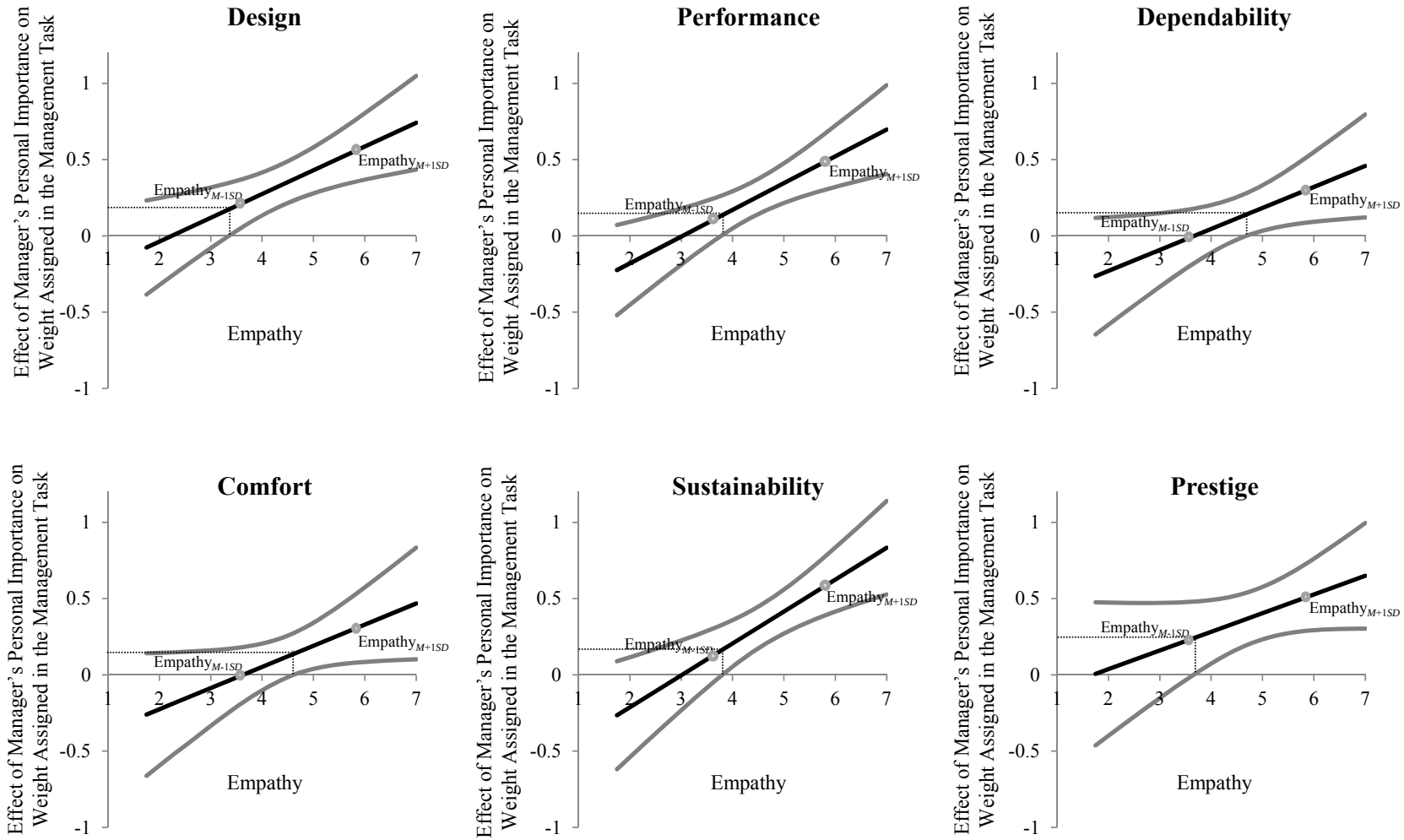
## FIGURE 2: Regression Plots (Study 1)




Note: High Empathy ($M$ + 1$SD$), Low Empathy ($M$ - 1$SD$)

------ consumers' average importance rating for product attribute according to the market research results presented to the participants

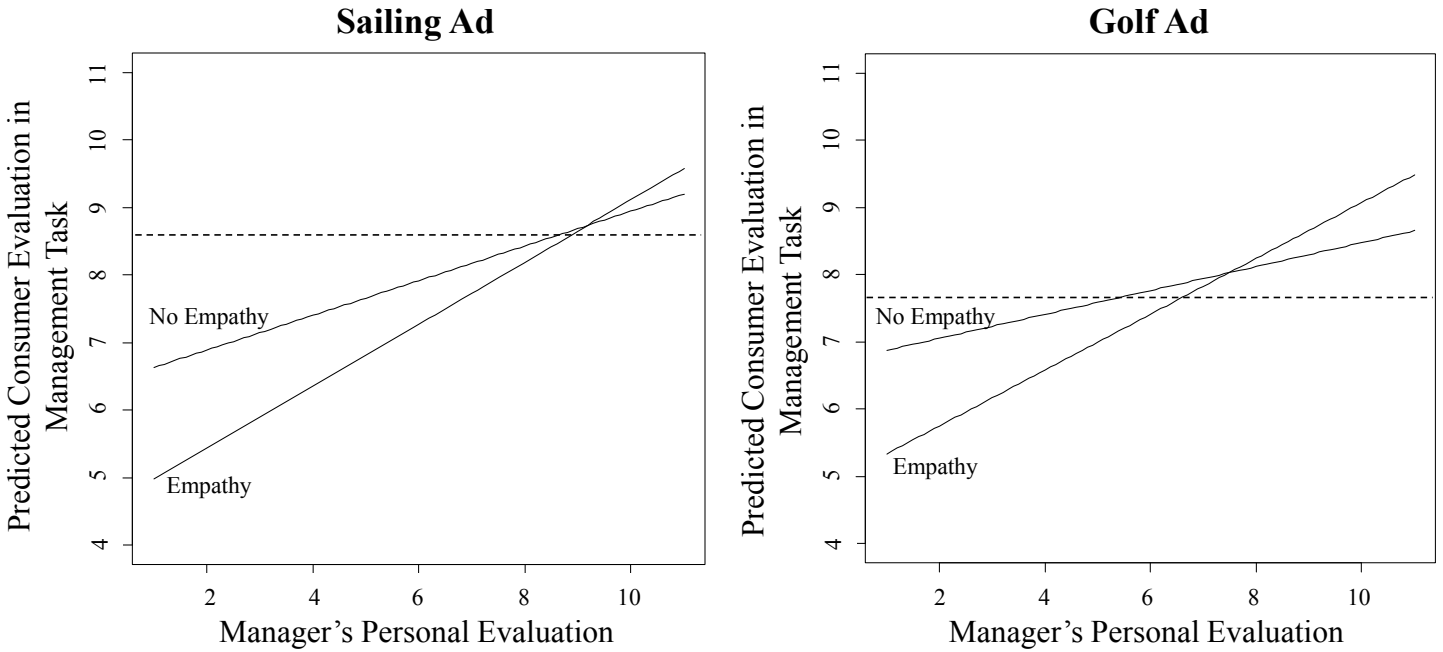
**FIGURE 3: Johnson-Neyman Regions of Significance (Study 1)**




Note: minimum (maximum) of participants' empathy in the sample: 1.75 (7)

simple slopes — 95% confidence band ····· Johnson-Neyman points of significance

**FIGURE 4: Regression Plots (Study 2)**




Note: ------ consumers' average evaluation of advertisement according to market research results presented to the participants

**FIGURE 5: Regression Plot (Study 3)**

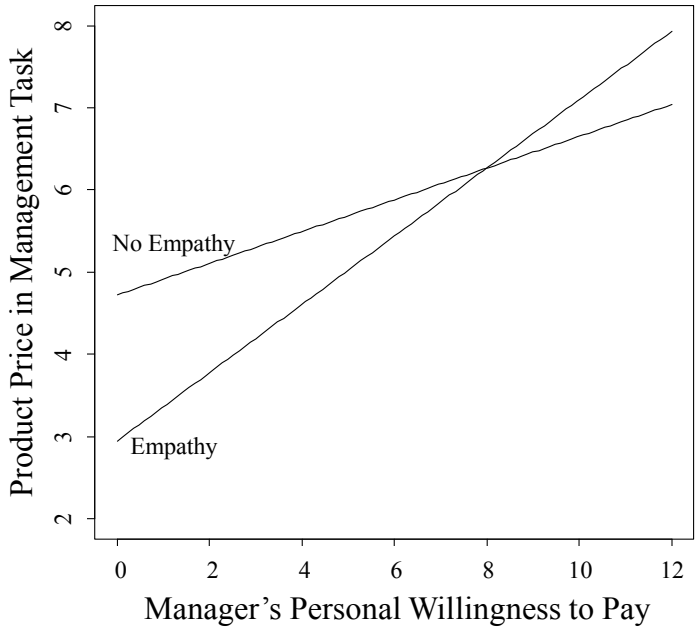


**FIGURE 6: Mediation Model (Study 3)**

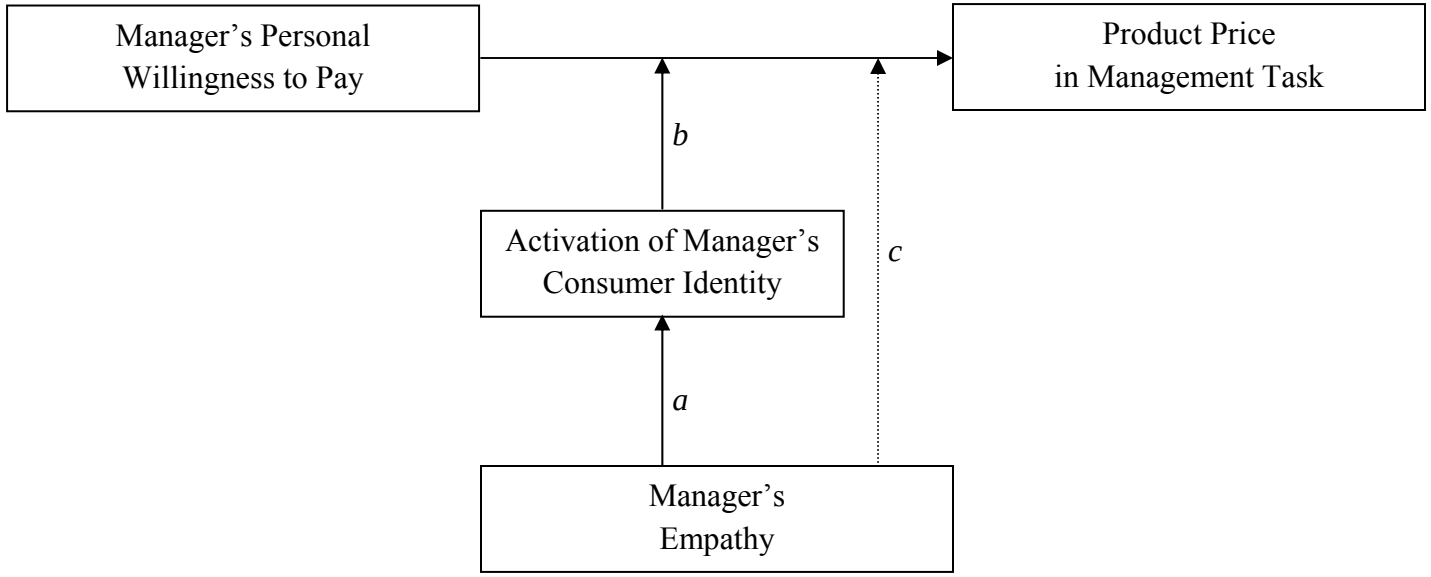
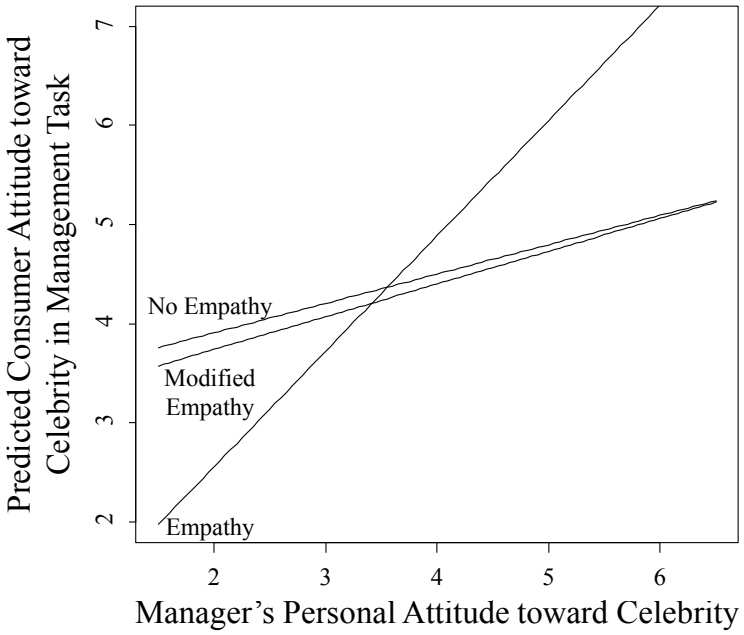
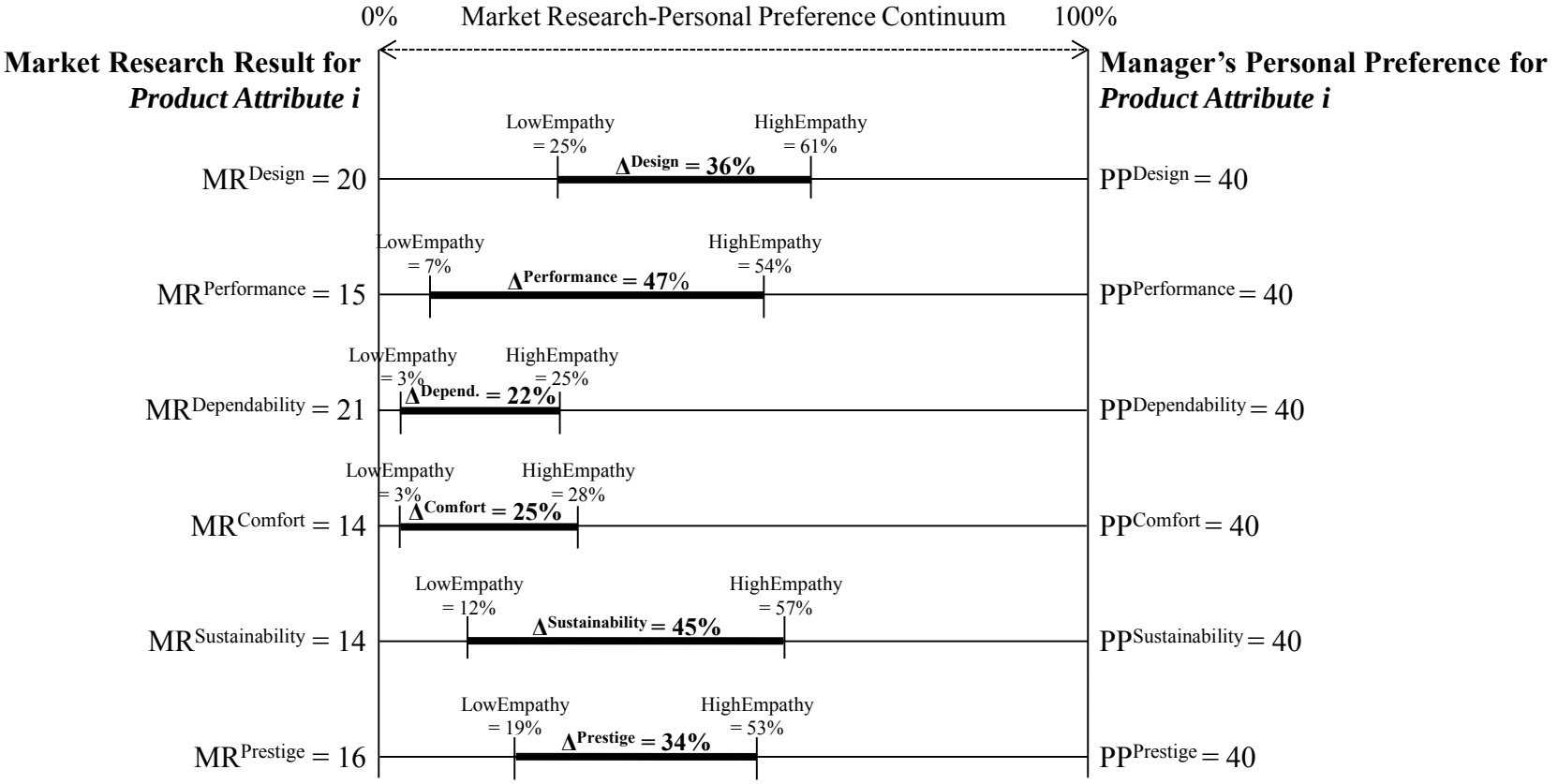


**FIGURE 7: Regression Plot (Study 4)**



## WEB APPENDIX A

### Empathy-Caused Shift from Market Research-Based to Egocentric Consumer Preference Predictions (Study 1)




Note: High Empathy ($M$ + 1$SD$), Low Empathy ($M$ - 1$SD$); $MR^i$ = consumers' average importance rating for product attribute i according to market research results; $PP^i$ = manager's personal preference for product attribute i is 40 (the results are robust for other personal preference scores); $\Delta^i$ = empathy-caused shift from market research-based to egocentric consumer preference predictions for product attribute i

## WEB APPENDIX B

### Confounding Checks Used in Study 2, *Study 3,* and Study 4

| Measure | Scale | Items |
|---|---|---|
| Cognitive load | 7-point scale (1 = "completely disagree," 7 = "completely agree") | Participating in this study was mentally strenuous. |
| Perceived similarity to target customer (Ames 2004) | 7-point scale (1 = "completely disagree," 7 = "completely agree") | I am similar to a customer of Rolex/*a student of the university*/a typical user of the new video game. |
| | | I have a lot in common with a customer of Rolex/*a student of the university*/a typical user of the new video game. |
| Perceived closeness to target customer (Aron et al. 1991) | 11-point scale (1 = "definitely not close," 11 = "very close") | How close do you perceive yourself to a typical customer of Rolex/*a student of the university*/a typical user of the new video game? |
| Self-other merging (Aron, Aron, and Smollan 1992) | 7 Venn diagrams of two same-size circles (one indicating the self, the other representing the target customer) | Please circle the picture which best describes your relationship to a typical customer of Rolex/*a student of the university*/a typical user of the new video game. |
| Decision confidence (Brown 1999) | 10-point scale (1 = "very unconfident," 10 = "very confident") | How confident are you about your evaluations of customer preferences/*about your pricing decisions for the coffeehouse*/about your evaluations of customer attitudes? |
| Decision difficulty (Chatterjee and Heath 1996) | 7-point scale (1 = "very easy," 7 = "very difficult") | How difficult was it to make the prediction of customer preferences/*the pricing decisions for the coffeehouse*/the prediction of customer attitudes? |
| Decision accountability* (Zhang and Mittal 2005) | 7-point scale (1 = "completely disagree," 7 = "completely agree") | When making the *pricing decisions for the coffeehouse*…<br>…I felt great responsibility for the outcome of this decision. |
| | | …I was concerned about the possibility of making a poor decision. |
| | | …it was very important to me to make a good decision. |
| | | …I was thinking about how the decision would affect the future of the company. |

| | | |
|---|---|---|
| Perceived similarity to target celebrity** (Ames 2004) | 7-point scale (1 = "completely disagree," 7 = "completely agree") | I am similar to the celebrity Cristiano Ronaldo.<br>I have a lot in common with the celebrity Cristiano Ronaldo. |

Note: * assessed in study 3 only; ** assessed in study 4 only

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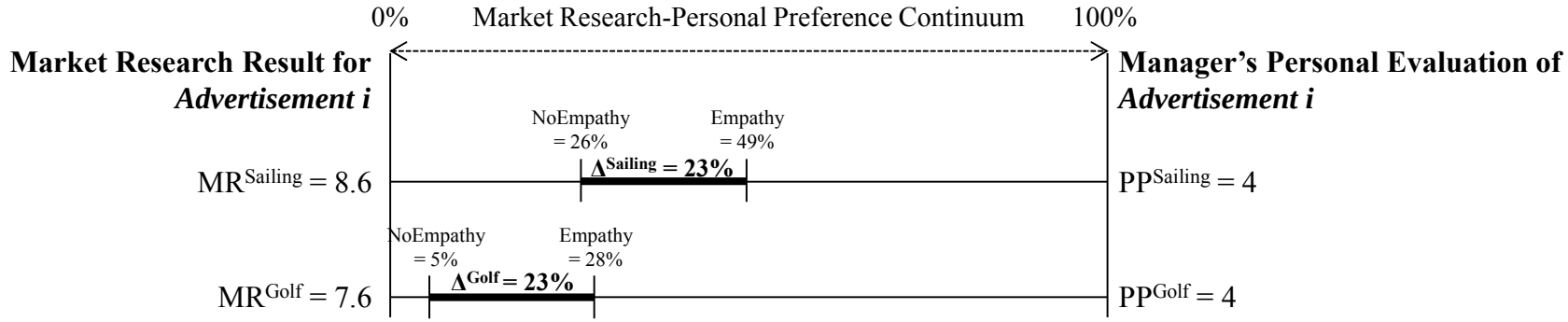
## WEB APPENDIX C

### Empathy-Caused Shift from Market Research-Based to Egocentric Consumer Preference Predictions (Study 2)




Note: Empathy was experimentally manipulated; $MR^i$ = consumers' average evaluation of advertisement i according to market research results; $PP^i$ = manager's personal evaluation of advertisement i is 4 (the results are robust for other personal evaluation scores); $\Delta^i$ = empathy-caused shift from market research-based to egocentric consumer preference predictions for advertisement i