

THE ILLUSION OF EXPLANATORY DEPTH FROM THE PERSPECTIVE OF CONSUMER BEHAVIOR, BUSINESS AND ECONOMICS

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INTRODUCTION

Economics, with its classical approaches has long ceased to be neoteric. Not so long ago compared with the entire history of economics as a science its new branch emerged in the world and was kindled by the success and celebrity of its discoverers, new research studies and the expansion of the concept of economics as such. This branch is called behavioural economics. There is still a protracted and inconclusive debate going on about the independence of behavioural economics as a science, but the 2017 Nobel Prize received by Richard Tyler confirms the worldwide recognition of this trend.¹ In traditional economics it was not customary to pay attention to psychology and sociology: it was believed that these were transient, random factors that faded before the greatness of economic incentives. We live in a world where all people are equal but all are individual in their equality. Each social group needs an individual approach to achieve heights not only from the economic perspective but also in other areas of life. At the centre of many sciences, as well as economics, in particular, is a human, so our consciousness, knowledge and ability to assess and use them duly deserve special attention. It is strongly believed by the author of the article that the attention to the topic is little, however the significance of it is quite high. So, one of the theoretical significance points of the article is increasing the interest in the phenomenon of the illusion of explanatory depth.²

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¹ D. Ariely (2008). *Predictably Irrational: The Hidden Forces That Shape Our Decisions*. HarperCollins.

² A. Menshykova (2021). *The Illusion of Explanatory Depth from The Perspective of Gender Socialization*.

The object of this study is the concept of the illusion of explanatory depth, a relatively little-studied phenomenon dating back to a recent year (2002).³ The subject of the study is perspectives of the phenomenon on marketing, business and economics. This work questions the way people access their knowledge looking for the answers through the study conducted from the perspective of gender socialization. The importance of education and awareness itself is now becoming more and more popular especially with the development of social media, AI tools and easily available information of different matter.

THE IOED CONCEPT

The illusion of explanatory depth (IOED) is a cognitive bias that occurs when a person believes they understand a complex phenomenon or system better than they actually do.⁴ This illusion becomes particularly evident when individuals are asked to provide a detailed explanation of how a mechanism or process works. IOED holds significant relevance in various fields including consumer behaviour, business, and economics, as it impacts decision-making, risk assessment and adaptability to change.⁵

Key characteristics of the illusion of explanatory depth are as follows: overestimation of knowledge: people may believe they understand how something works until they are asked to explain it in detail. For instance, someone may think they know how an internal combustion engine operates but realize their knowledge is superficial when attempting to describe it; effect of social proof: social environments and the opinions of others can amplify the illusion of understanding – individuals tend to believe their opinions are well-informed if they align with the group even when their knowledge is minimal; reliance on surface-level explanations: IOED is linked to dependence on simple yet insufficient explanation – easily accessible information such as reviews, testimonials, or marketing materials, often creates an illusion of comprehensive awareness.⁶

The illusion of explanatory depth is not just a challenge but also an opportunity. It teaches us to approach knowledge mindfully, focus on details and avoid superficial perceptions of complex systems. Applying this principle in business and economics can significantly improve decision-making quality, enhance organizational resilience, and enrich strategic thinking.

³ L. Rozenblit, F. Keil (2002). *The Misunderstood Limits of Folk Science: An Illusion of Explanatory Depth*. Cognitive Science, 26(5), pp. 521-562.

⁴ D. Kahneman (2011). *Thinking, Fast and Slow*. Farrar, Straus and Giroux.

⁵ D. Kahneman, G. Klein (2009). *Conditions for Intuitive Expertise: A Failure to Disagree*. American Psychologist, 64(6), 515–526.

⁶ L. Rozenblit, F. Keil (2002). *The Misunderstood Limits of Folk Science: An Illusion of Explanatory Depth*. Cognitive Science, 26(5), pp. 521-562.

THE IOED: A CONSUMER BEHAVIOUR PERSPECTIVE

In today's fast-paced marketplace consumers are inundated with information about products and services. From detailed reviews to influencer opinions the abundance of available data often leads consumers to believe they possess a comprehensive understanding of their choices. This phenomenon, known as the „illusion of explanatory depth,” plays a significant role in consumer behaviour and can heavily influence purchasing decisions.

In order to provide the reader with the understanding of the phenomenon a description as follows is considered to be clear for the further comprehension: the illusion of explanatory depth refers to the tendency for individuals to overestimate their understanding of complex phenomena. Research indicates that when asked to explain how something works people often find themselves less knowledgeable than they initially believed. This cognitive bias can have profound implications in the realm of consumer behaviour affecting everything from brand loyalty to product choice.

When it comes to the implications for consumer decision-making, the author would like to highlight three crucial points. The first one would be an overconfidence in product knowledge: consumers may feel confident in their understanding of products based on surface-level knowledge leading to biased decision-making. For instance, a shopper may believe they fully understand a smartphone's technical specifications based solely on marketing materials yet lack insight into how these features translate into real-world functionality.

The second one from the list would be the influence of social proof: the social dynamics of shopping such as recommendations from friends or influencers can reinforce the illusion of explanatory depth. When consumers see others endorsing a product they may assume a deeper understanding of its benefits, despite not having researched it thoroughly themselves. This phenomenon can create a bandwagon effect, where consumers feel justified in their choices without complete knowledge. At the same time, when it comes to the marketing perspective influence marketing is considered to be a very powerful tool of promotion, brand awareness and reputation building. Coming to the third point, brand loyalty and affinity is considered to be an important one to talk about. Consumers tend to grow attached to brands that they believe they know and understand well. The illusion of explanatory depth may cause them to overlook negative reviews or emerging information about competitor products. This loyalty can skew purchasing decisions, as consumers are less likely to explore alternatives even when the circumstances change.

Having the above-mentioned information, strategies to research consumer behaviour may be defined. Understanding the illusion of explanatory depth can help not just

marketers but also economists and business developers (to be deeper covered below in the article) and other representatives refine their strategies to better connect with consumers. Examples of a few approaches are as follows: educational content – business representatives can create detailed educational materials that break down complex product or service features. By providing clear explanations and usage scenarios consumers are encouraged to deepen their understanding, reducing the overconfidence stemming from surface-level knowledge; transparent communication: maintaining transparency about product benefits and limitations can empower consumers. Companies that openly share both strengths and weaknesses help demystify their products and service, fostering informed decision-making rather than reliance on superficial claims; encouraging exploration: marketers can promote a culture of exploration by encouraging consumers to compare products across competitors. By highlighting comprehensive reviews and comparisons, companies can support consumers in expanding their knowledge base, leading to more thoughtful purchasing decisions.

THE IEOD: BUSINESS AND ECONOMICS PERSPECTIVE

In business and economics, a phenomenon known as the ‘illusion of explanatory depth’ is often encountered. This cognitive bias occurs when people mistakenly believe they have a deeper understanding of complex concepts or processes than they actually do. In the business world, this can lead to poor decision-making, overestimation of opportunities, and neglect of hidden risks.

The illusion of depth of understanding is a phenomenon where individuals believe they grasp complex topics or systems, even when their knowledge is superficial. For instance, many people might think they understand how the economy works simply because they are familiar with basic terms like GDP, inflation or supply and demand. However, deep understanding requires knowledge of intricate interconnections, contexts, and factors that are often overlooked.

When it comes to business, this manifests as confidence in ‘simple solutions’ to complex problems such as scaling a business or entering international markets. So, how does the IOED affect business? The first one to be mentioned is an overestimation of opportunities – leaders who overestimate their understanding of market dynamics often make risky decisions. For example, entering a new market without studying its cultural and legal nuances can lead to failure. This occurs because they rely on stereotypes or limited data which seem sufficiently informative. Moreover, in another work of the author of the article, book ‘The Illusion of Explanatory Depth from the Perspective of Gender Socialization’, this issue is discussed from the perspective of gender. The empirical study showed that male tend to overestimate the knowledge on the topic when female

respondents tend to access it closer to the real results. For example, it was a study where the author asked male and female questions about how well does one know science X or Y and just after respondents received the basic school programme tasks on the sciences discussed before being asked to have a test on each of them.

Another matter is ignoring risks – the IOED often results in companies underestimating potential risks. For instance, managers may overlook macroeconomic factors like interest rate changes or currency fluctuations assuming they ‘already understand everything’.

Undervaluing expertise also should be noticed when discussing the topic: entrepreneurs or managers may believe they can figure out any topic on their own neglecting the need for experts. This is especially dangerous in areas such as taxation, legal compliance, or cybersecurity, where mistakes can be costly.

At the same time there is also a set of examples in economics – the phenomenon is so wise and deep in terms of the influence but having this knowledge and idea it can be used in order to decrease the level of illusion. For instance, financial crises – one of the causes of financial crises such as the 2008 crisis was the confidence of major players in their understanding of complex financial instruments like mortgage derivatives. In reality, these instruments were so convoluted that even experts underestimated their risk. Poor data interpretation is another interlink between economics and the IOED: people may use surface-level data to explain economic phenomena resulting in erroneous conclusions.

So how to combat the IOED? The first step to overcoming the illusion of understanding is to recognize and acknowledge that one’s knowledge on the topic may be incomplete. When considered not to be a weakness but an opportunity it creates a path for development and growth. Another thing is using the management tools like Five Whys Method, SMART model or PESTLE. Using these strategic management tools may help to work with the information, plans, briefs, etc. For example, if one believes that sales growth is possible through discounts, there can be a question: ‘Why will this increase margins?’ ‘Why will this not harm the brand perception?’ and so on.

Business and economics are dynamic fields where old models can quickly become outdated. Regular learning and exploration of new data can help avoid a shallow perception of reality so the concept of lifelong learning indeed does seem to work well with the concept of IOED.

CONCLUSION

The illusion of explanatory depths a serious barrier faced by many leaders and entrepreneurs. It not only hinders sound decision-making but also affects the likelihood

of costly mistakes for a company. Awareness of one's cognitive biases, seeking expert advice and a commitment to continuous learning are essential tools to avoid this trap. Business requires not just confidence but mindfulness. The illusion of explanatory depth is a critical concept in understanding consumer behaviour. Recognizing that consumers often lack a true understanding of the products they purchase allows marketers to address their needs better and reshape their strategies. By promoting education, transparent communication and encouraging more profound exploration, brands can help consumers make informed choices ultimately enhancing satisfaction and loyalty in the long run. The IOED emerges as a significant cognitive bias with profound implications for consumer behaviour, business and economics. It reflects the human tendency to overestimate our understanding of complex phenomena, often leading to flawed decisions, superficial strategies, and overlooked opportunities for growth. However, while IOED presents clear challenge it also offers an opportunity for introspection, adaptation and improvement.

In consumer behaviour IOED influences the way individuals perceive products, make purchasing decisions and build brand loyalty. Overconfidence in product knowledge often stems from surface-level information such as marketing materials, testimonials or influencer recommendations. This overconfidence can lead consumers to prioritize certain brands or products without sufficient research or understanding. The bandwagon effect amplifies this illusion as individuals align their preferences with societal trends or endorsements creating a false sense of informed choice. For marketers acknowledging IOED is a pathway to more responsible and effective engagement. Educational content, transparency and encouragement of comparative exploration empower consumers to make well-informed decisions, fostering trust and long-term loyalty.

In business and economics IOED manifests through overconfidence in understanding market dynamics, risk assessment, and decision-making processes. Executives and entrepreneurs may misjudge opportunities, neglect cultural or legal nuances in market expansion or undervalue the expertise required to navigate complex systems. Historical examples, such as the 2008 financial crisis, demonstrate the dangers of IOED at an institutional level, where misperceptions of understanding contributed to widespread economic failure. On an individual level IOED undermines the credibility and effectiveness of leaders who fail to seek expert advice or engage in lifelong learning.

Furthermore, the dynamic nature of today's economy and technological landscape underscores the importance of adaptability. As information becomes increasingly accessible the temptation to rely on surface-level knowledge grows. Therefore, promoting a culture of inquiry, transparency and evidence-based decision-making becomes crucial. Leaders who commit to lifelong learning and foster environments that challenge assumptions and encourage exploration are better equipped to navigate the complexities of modern business and economics.

Ultimately, the illusion of explanatory depth is both a sign and a guide. It highlights the pitfalls of complacency and superficiality while pointing towards the benefits of mindfulness, humility and intellectual rigor. By understanding and addressing IOED stakeholders across industries can improve decision-making processes, enhance consumer satisfaction and drive sustainable success. The journey to overcoming this illusion is an ongoing effort but it is one that holds the potential to transform the way we engage with knowledge, strategy and innovation.

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Abstract

The article explores the phenomenon of the illusion of explanatory depth (IOED) from the perspective of consumer behaviour, business, and economics. IOED describes a cognitive bias where individuals overestimate their understanding of complex phenomena, often revealed when deeper explanations are required. Within consumer behaviour, IOED impacts product knowledge, social proof dynamics, and brand loyalty, influencing purchasing decisions and market strategies. In business and economics, it manifests in overconfidence, misjudgement of risks, and undervaluation of expertise, leading to poor decision-making and potential organizational failures. The study highlights strategies for mitigating IOED through education, transparent communication, and fostering exploration, offering practical implications for marketers, business leaders, and economists. By acknowledging the limitations of perceived understanding and leveraging tools such as strategic questioning and continuous learning, stakeholders can enhance decision-making processes and adapt effectively to dynamic environments. The article emphasizes the critical importance of mindfulness and informed approaches in addressing the challenges posed by IOED in contemporary contexts.

Keywords: the illusion of explanatory depth, consumer behaviour, business, economics

İLÜZJA GŁĘBI WYJAŚNIAJĄCEJ Z PERSPEKTYWY ZACHOWANIA KONSUMENTA, BIZNESU I EKONOMII

Streszczenie

Artykuł bada zjawisko iluzji głębi wyjaśniającej (IOED) z perspektywy zachowania konsumenta, biznesu i ekonomii. IOED opisuje błąd poznawczy, w którym jednostki przeceniają swoje zrozumienie złożonych zjawisk, często ujawnianych, gdy wymagane są głębsze wyjaśnienia. W zakresie zachowań konsumentów IOED oddziałuje na wiedzę o produkcie, dynamikę zachowań społecznych i lojalność wobec marki, wpływając na decyzje zakupowe i strategie rynkowe. W biznesie i ekonomii objawia się nadmierną pewnością siebie, błędną oceną ryzyka i niedocenianiem wiedzy specjalistycznej, co prowadzi do podejmowania złych decyzji i potencjalnych niepowodzeń organizacyjnych. Badanie podkreśla strategie łagodzenia IOED poprzez edukację,

przejrzystą komunikację i wspieranie eksploracji, oferując praktyczne implikacje dla marketerów, liderów biznesu i ekonomistów. Uznając ograniczenia postrzeganego zrozumienia i wykorzystując narzędzia, takie jak strategiczne kwestionowanie i ciągłe uczenie się, interesariusze mogą usprawnić procesy podejmowania decyzji i skutecznie dostosować się do dynamicznych środowisk. Artykuł podkreśla krytyczne znaczenie uważności i świadomych podejść w rozwiązywaniu wyzwań stawianych przez IOED we współczesnych kontekstach.

Słowa kluczowe: iluzja głębi wyjaśniającej, zachowanie konsumenta, biznes, ekonomia