Meaningless Differentiation and Purchase Incidence

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Consumers often turn down a good purchase opportunity just because they were unable to take advantage of an even better opportunity in the past. This decision-avoidance tendency, termed inaction inertia, suppresses the likelihood that customers will avail themselves of a price discount that is good in an absolute sense but not as good as the one foregone. In this paper, we show that even a trivial differentiation between the current and the foregone products may be sufficient to mitigate inaction inertia caused by unfavorable price discrepancy and restore purchase likelihood. The results from a series of studies show that an addition of a trivial attribute to the current product reduces regret, suppresses inaction inertia, and restores the likelihood of purchase when there is a large unfavorable difference between the current discounted price of a product and its foregone lower price. The results provide a rationale for how trivial attributes can be used in conjunction with price changes to control inaction inertia and maintain purchase likelihood.

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EXTENDED ABSTRACT

Consumers often turn down a good purchase opportunity just because they have previously foregone a much better opportunity in the past. For example, they frequently choose not to buy a product at a discounted price, if they have failed to take advantage of an earlier, much deeper discount on the same product. Research on decision-avoidance shows that consumers exhibit this tendency, termed inaction inertia because they code the unfavorable price discrepancy between the current and the foregone opportunities as a loss and decline the current opportunity in order to shield themselves from the anticipated regret that they would they would experience if they made the purchase.

In this paper, we argue that the addition of even a trivial attribute to the current product may be sufficient to mitigate the regret arising from an adverse price discrepancy between the current and foregone products and restore the likelihood of purchase. We posit that, much like a trivial attribute creates meaningful differentiation among products that are concurrently available, it can also create differentiation between those that are temporally separated. Therefore, the addition of a trivial attribute to the currently available product may be sufficient to help manage the psychological deficit that results from an adverse price discrepancy between the current and the foregone product. Such an attribute can serve to reduce the anticipated regret from having missed the previous lower-price opportunity and restore the likelihood of purchase.

We examine this issue using a series of four studies in which we manipulate the prices and the feature set of the current and the foregone product and measure the likelihood of purchase. The results from the first study show that the addition of merely a distinguishable trivial attribute does suppress inaction inertia and restores purchase likelihood that has been otherwise suppressed because of having missed a previous, lower-price opportunity. The second study shows that it is the addition of an identifiable and distinguishable trivial attribute, not merely the difference in the feature sets of the two products, that suppresses inaction inertia. The third study shows that the effect of trivial attributes on purchase likelihood is asymmetric. Specifically, while adding a trivial attribute to the current product suppresses inaction inertia, adding one to the foregone product does not exacerbate it. And finally, the fourth study shows that if alternative psychological mechanisms are available to reduce the anticipated regret from having missed a previous, lower-price, opportunity, then the addition of a trivial attribute to the current product does not have an incremental additive effect on purchase likelihood. A mediation analysis of the data from the studies implicates regret as the mediating variable between the presence or absence of a trivial attribute in the current product and the level of purchase likelihood.

Taken together, the results from these studies extend the literature on inaction inertia by demonstrating that a trivial differentiation on one dimension, say feature set, may be sufficient to suppress inaction inertia cause by a large, adverse discrepancy on another dimension, say price. Our results also extend the literature on trivial attributes from the domain of brand choice to the context of purchase incidence. They provide a complementary perspective to the finding that meaningless differentiation facilitates decision resolution by providing a reason to prefer one option over concurrently available others. We show that when a consumer is motivated to reduce regret caused by a failure to previously take advantage of a better opportunity, a trivial attribute can also provide a reason to accept rather than forego the current option that “is” when the consumer is cognizant of a fictitious, lower-priced, option that “could have been.”

REFERENCES

MEASURING THE INFLUENCE OF INVOLVEMENT AND OTHER CONTEXTUAL VARIABLES ON
INTEREST AND SELLING PRICE IN ONLINE AUCTIONS

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EXTENDED ABSTRACT

Online auctions are increasingly becoming popular forms of commerce exchange, attracting thousands, sometimes millions of bidders. This growth in online auction sites and online transactions has created an opportunity to explore auction participant behavior in an online setting. Thus, this quasi-experiment focuses on the factors influencing overall auction interest and final price, particularly relevant for sellers of goods and site hosts interested in maximizing returns through the online auction medium. Differing from prior online auction studies that have predominately concentrated on one product category, a central part of this research is to identify differences between auctions for high versus low involvement goods. Auctions involving two high involvement products (Cars and Laptops), and two low involvement products (Books and DVDs) were tracked to meet this purpose. Schamel (2004) states that very few studies have used data collected directly from internet auction sites to analyse customer bidding behavior, so in response to this literature gap, this study explores auction behavior in an online setting. Previous online auction experiments have predominately focused on one category of products. Bajari and Hortacsu (2003) examined eBay coin auctions, Walley and Fortin (2005) assessed behavior relating to DVD’s, and Gilkeson and Reynolds (2003) considered auction features relating to sterling flatware, so this study examines four categories of products while comparing high versus low involvement commodities. According to findings culled from existing literature, a number of key hypotheses are proposed. All hypotheses will be contrasted for low and high involvement products to reflect a potential impact on behavior as suggested by Zaichkowsky (1985). The hypotheses are:

H1: A low starting bid will generate higher auction...