The Effect of Option Framing on Consumer Choice For Service Options

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Service providers like travel agencies or insurances often give consumers the opportunity to adapt a service according to their individual needs by offering additional options to supplement a base service. Focusing on hedonic and utilitarian additional services, we analyze experimentally the influence of option framing on consumer choice.

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EXTENDED ABSTRACT

Service providers like travel agencies or insurances often give consumers the opportunity to adapt a service according to their individual needs by offering additional options to supplement a base service. In order to customize a service, consumers could either add desired services to a base service (= opt-in framing) or they could delete undesired services from a fully-loaded package (= opt-out framing) (Jin, He, and Song 2012; Park, Jun, and MacInnis 2000).

Prior research focusing on physical products has demonstrated that consumers who build their bundle in the opt-out framing choose on average more additional options than their counterparts who conduct the choice tasks in the opt-in framing (Biswas and Grau 2008; Herrmann et al. 2013; Levin et al. 2002; Park et al. 2000; Park and Kim 2012). Due to the specific characteristics that distinguish services from physical products, the first goal of our research is to provide evidence on opt-in and opt-out effects for the service industry.

Furthermore, we investigate the differences in consumer choice behavior when hedonic and utilitarian additional services are offered in opt-in and opt-out choices. Previous studies have shown that consumers tend to choose the utilitarian option in opt-in choices, but prefer to keep the hedonic option in opt-out choices (Antonides, Bolger, and Trip 2006; Dhar and Wertenbroch 2000; Okada 2005). However, these studies investigated physical products only and mainly considered trade-offs between one hedonic and one utilitarian attribute or product. In contrast, our studies focus on services and examine consumer choice beyond the mere trade-off between two options. To our knowledge, no research has yet compared opt-in and opt-out framings for several hedonic and utilitarian service options.

In our two studies, participants were asked to build their own service package. In the opt-in framing, they could add hedonic and/or utilitarian services to a base service. Thus, participants had the opportunity to receive a gain of utility for a loss of money. Contrary, participants in the opt-out framing were free to delete the same hedonic and/or utilitarian services from a fully-loaded service package. They could make a gain of money by forsaking utility (Park et al. 2000).

In Study 1, we compared the effect of opt-in and opt-out framing for a pure hedonic service package (i.e., a hedonic base service plus hedonic additional services) with a pure utilitarian service package (i.e., a utilitarian base service plus utilitarian additional services). We chose a holiday package for the hedonic service offer and a car insurance package for the utilitarian service condition. Six hedonic services were available additionally to the hedonic base service of the holiday condition and six utilitarian services were offered additionally to the utilitarian base service of the insurance condition.

In Study 2, we extended the consumer purchase decision by making hedonic and utilitarian additional services simultaneously available. Thus, consumers did not only have to decide whether they wanted to spend additional money for additional hedonic or additional utilitarian benefits, but were also faced with a trade-off between hedonic and utilitarian options – especially when they had limited budget. We chose a holiday offer as the base service and defined six hedonic services and six utilitarian services as additional options. Participants were asked to build their own service package. The choice task was thereby presented either as an opt-in or an opt-out framing with or without budget goal.

Consistent with the findings from previous research for physical products, the results of both studies support that consumers choose more additional services when they are asked to delete services from a fully-loaded model compared to adding services to a base service. Thus, the stronger demand for options in opt-out choices opposed to opt-in choices is also valid for services.

In Study 1, we assumed that consumers would choose more (less) additional services in the hedonic opt-out (opt-in) choice tasks than in the utilitarian opt-out (opt-in) choice tasks. However, consumers did not respond differently to opt-in and opt-out choices across the two service categories. We supposed that purchase situations that involve only one service category do not cause consumers to think about the hedonic or utilitarian nature of an option. We conducted Study 2 based on the suggestion that consumers will be more concerned about the service type of an option when hedonic and utilitarian services are offered next to each other. Our results showed that consumers in the opt-in framing compared to the opt-out framing selected more utilitarian than hedonic additional services. This finding is in line with the argument that consumers prefer utilitarian to hedonic options in opt-in choices. For the opt-out choice, our data revealed that consumers chose approximately the same relatively high number of hedonic and utilitarian additional services. Moreover, Study 2 investigated opt-in and opt-out choice behavior in purchase decisions with budget constraints. We presumed that consumers who are faced with financial restrictions would first try to fulfill utilitarian needs before striving to fulfill hedonic wishes (Chitturi, Raghunathan, and Mahajan 2007; Maslow 1970). Therefore, consumers were expected to select more utilitarian than hedonic services independent from the choice condition. This expectation was fulfilled for the opt-out framing. Consumers in the opt-in framing, however, equally selected hedonic and utilitarian services, but chose in total one option less than their counterparts in the opt-out framing.

Our findings have important implications for service providers who offer additional services. First, consumers choose more additional services when they conduct the choice task in the opt-out framing compared to the opt-in framing. Second, consumer preferences for additional hedonic and additional utilitarian services depend on the type of option framing and the available budget. Thus, for service companies that offer hedonic and utilitarian services next to each other or next to the services from other providers, knowledge on consumer choice behavior in opt-in and opt-out tasks involving hedonic and utilitarian options is essential for sales success.

REFERENCES


