Bail Out on the Bundle? a Study of Factors Impacting Transaction Decoupling and Post Purchase Bundle Consumption

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Why does the extent of consumption of a bundle vary across individuals? This paper, builds on the Transaction Decoupling and regulatory focus literature to demonstrate that post purchase consumption of bundles depends on the regulatory focus of an individual and this effect is moderated by nature of the bundle components.

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EXTENDED ABSTRACT

The effect of bundling of goods and services on consumer purchase decisions has been extensively studied. In contrast, the research on the impact of bundling on post-purchase consumption behaviour has been relatively limited. Is consumption of bundled components similar to consumption of individual components purchased separately? Soman and Gourville (2001) delineated this and established the phenomenon of transaction decoupling (TD). They showed that in a bundled transaction the costs and benefits associated have one to many relationships. As a result, bundling leads to ambiguity and decoupling of costs from benefits such that the costs incurred for the bundle become less relevant in comparison to an unbundled transaction. Consequently, there is decreased attention to sunk costs, and consumers are more willing to forgo consumption of individual benefits within the bundle. They concluded that consumer motivation and cost allocation difficulty constitute two primary causes of TD. Preliminary analysis suggests that post purchase bundle consumption may vary across consumers leading to differential extent of bundle consumption. However, there has been limited research on the factors impacting TD. Existing studies on TD fall short in explaining the difference in bundle consumption behaviour (partial or complete) across individuals, leading to a call for research that explores the impact of non-situational factors and individual differences on coupling-decoupling in order to better understand the causes of TD and incomplete bundle consumption (Kamleitner 2008; Prele & Loewenstein, 1998; van Putten, Zeelenberg, & van Dijk, 2013). Given the significant effect an individual’s dispositional and personality characteristics can have on their judgement and decision-making (Chitturi, Raghunathan, & Mahajan, 2007), we suggest that the observed difference in bundle consumption might be due to different motivational orientation, i.e., the regulatory focus (RF) of the individuals. We argue that the RF of individuals impacts the TD experienced by consumers and their bundle consumption, and this effect would be moderated by the characteristics of the bundle components (hedonic or utilitarian).

We build on the transaction decoupling and regulatory focus literatures to hypothesize that post-purchase consumption of bundles will depend on the regulatory focus of an individual. Four experiments using scenarios with bundled four-day event passes passed demonstrated this to be the case. In Study 1, we showed that because prevention-focused people experience stronger sunk cost effects and are better at resolving ambiguous information inherent in bundles, they experienced lower TD and consumed more of the bundle than promotion-focused people. Study 2 verified and strengthened these findings by measuring chronic regulatory focus of individuals (using Higgins’ Regulatory Focus Questionnaire) as opposed to inducing regulatory focus, as was done in Study 1. Study 2 validated our findings from Study 1 and showed clear evidence of the impact of regulatory focus on transaction decoupling and bundle consumption. Study 3 explored the moderating effects of the nature of bundle components on the relationship between regulatory focus and TD and showed that individuals process information fitting their regulatory concerns. This resulted in prevention-focused people showing lower TD and higher consumption for utilitarian bundles, while promotion-focused people showed similar behaviour for hedonic bundles. While Study 3 investigated pure bundles (either hedonic or utilitarian), Study 4 looked at the impact of mixed bundles (both hedonic and utilitarian) on the relationship between regulatory focus and TD. Study 4 showed that both promotion- and prevention-focused individuals preferred hedonic goods over utilitarian goods in the case of mixed bundles. We found that when hedonic components were consumed first, TD was higher and consumption of the remaining bundle (utilitarian component) was lower for both prevention- and promotion-focused individuals, as compared to when utilitarian components were consumed first.

Together, these studies help us understand how transaction decoupling and bundle consumption varies for different individuals, and that dispositional factors of individuals help us explain this difference. This study contributes to the research on price bundling by answering the call for research on post-purchase consumption of bundles. We add to the regulatory focus literature by identifying how non-situational factors govern TD and bundle consumption. To the best of our knowledge, this study is the first research that integrates personality characteristics such as regulatory focus and bundle consumption in the same context, thereby making a significant contribution to both these areas in consumer behaviour.

The findings from our research would help marketers make better decisions with reference to demand forecasts (and actual turnout), resource allocation for services, peripheral sales (e.g., parking), consumer satisfaction and consumer repurchase decisions. The findings of our study can help managers in positioning decisions. Based on the nature of bundle constituents, the bundle can be positioned and promoted in such a way that it appeals to and attracts customers with the right fit. Lastly, managers can anticipate actual demand or turnout based on the nature of the service and the motivational orientation to which the bundle appeals. This would help in better resource allocation based on anticipated demand and yield management by determining the percentage of oversell possible.

REFERENCES

