Special Session Summary  Goals and Mindsets in Consumer Choice

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goals as Excuses vs. Guides: The Liberating Effect of Perceived Goal Progress on Choice

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People’s choices are usually driven by multiple conflicting goals. For example, individuals simultaneously believe in saving for retirement as well as taking luxurious vacations, studying long hours and socializing with friends, etc. Research in social psychology has portrayed the processes of self-regulation as setting abstract goals, which are then assumed to motivate a consistent choice of actions (cf., Gollwitzer 1999; Higgins 1997). The empirical work supporting this premise has focused on situations where the individual has a single goal. If individuals simultaneously hold multiple goals, an account of consumer behavior needs to address the manner in which consumers pursue choices motivated by these potentially conflicting goals.

This research examines consumer choice between two actions, one of which is consistent with the further pursuit of an initial goal, while the other is consistent with another, unrelated or even conflicting goal. We propose that when individuals are motivated by multiple goals, the pursuit of the initial goal (hereafter referred to as the focal goal) in an initial choice may liberate the individual to pursue unrelated or even conflicting goals in subsequent choices. For instance, the opening of a new savings account may suggest to an individual that her saving objectives are being actively pursued. As a result, the new saver might become more willing to spend money on unnecessary luxuries. In a similar way, signing up to participate in an upcoming marathon may promote a sense of progress toward important health objectives, possibly resulting in an increase in the consumption of culinary fattening delights. As these examples illustrate, people sometimes self-regulate between conflicting motivations so that pursuing a behavior toward one goal increases the likelihood of engaging in a subsequent behavior that is inconsistent with that goal. Furthermore, merely planning to pursue a focal goal in the future may liberate an individual to pursue other actions that are goal-inconsistent.

The aim of the current investigation was to explore some of the theoretical conditions that facilitate the selection of goal-inconsistent actions. The different studies examine choice between two options, one of which is viewed as being consistent with the focal goal and the other as being inconsistent or even conflicting with the focal goal. Based on the literature on the effect of goals on subsequent choices (Dhar and Simonson 1999), we propose that the effect of initial action on subsequent choice depends on whether the pursuit is viewed as indicating progress toward or commitment to a goal. Specifically, goal pursuit in the progress-framing condition liberates the individual and thereby increases the likelihood of pursuing the inconsistent goal, whereas commitment framing elicits a general tendency to maintain the pursuit of the focal goal. As a result, the relative preference for items that are inconsistent with the pursuit of the focal goal will be stronger in the progress-framing condition than in a commitment condition.

Five experiments, involving real and hypothetical choices, tested our prediction of disengagement in progress framing and increased engagement in commitment framing. In these studies we used simple manipulations that determine whether the focal goal is framed as highlighting commitment- or progress-related thoughts. We specifically investigated three principles that characterize the effect of perceived goal progress. First, progress focus enhances the pursuit of alternative goals whenever the progress is fast. Second, social comparison allows individuals to acquire feedback on their relative goal progress. This relative progress will proportionally increase their tendency to switch to alternative objectives. Third, overly optimistic evaluations may lead people to overestimate their future goal progress. As a result, they are more likely to select inconsistent actions when considering future as opposed to past goal progress. People may thus express the same overconfidence.
with future goals as they do with future resources such as time and money (e.g., not waiting to actually receive money before spending it).

Our studies demonstrate the aforementioned principles across different goals (e.g., exercising, studying, saving money, losing weight) and different experimental procedures (e.g., hypothetical scenarios, self-report surveys, field studies). Study 1 shows that the choice of an action may be evaluated to indicate that either progress was made toward a given goal or that the person is committed to the focal goal. These progress/commitment inferences would then determine whether a person subsequently pursues a non-focal goal by selecting an inconsistent action, or whether a person maintains pursuit of the focal goal by selecting a similar action. Studies 2 and 3 find that perceptions of goal progress are influenced by accessible social comparison information. Thus, low standards elicit perceptions of fast goal progress and facilitate choice of goal-inconsistent actions, while high standards elicit perceptions of slow progress that inhibit the choice of goal-inconsistent actions. Study 4 finds that overly optimistic evaluations increase choice of inconsistent means when considering future as opposed to past goal progress. Finally, Study 5 demonstrates some of the behavioral implications of perceived goal progress. We conclude with a discussion of the theoretical implications of our findings, suggesting that relative preferences may depend on the aspects of a goal (commitment vs. progress) that are used to evaluate these choices.

“The Price of Choice: Differentiation and Parity in Assortment Pricing”
Alexander Chernov, Northwestern University

Consider a consumer who is thinking about buying a bottle of wine and is deciding among an assortment of four varietals: cabernet sauvignon, merlot, pinot noir, and syrah. Would this consumer be more likely to choose one of these options when they are priced at parity or when they vary in price?

This research examines the role of parity-pricing and differentiation-pricing strategies on consumer choice by focusing on assortments differentiated by subjective attributes such as taste, flavor, and color, which do not convey any quantitative information and do not imply a natural ordering of options’ values. This research posits that because such assortments do not imply a natural value-ordering, non-parity pricing can influence choice by making price a diagnostic attribute that can differentiate choice alternatives. I further propose that the impact of pricing on choice is a function of the diagnosticity of the non-price attributes, that is, the degree to which consumers can form preferences based on the performance of options on non-price attributes. To better understand the interplay of consumer preferences derived from options’ performance on price and non-price attributes, I link price parity to concepts of consumption and resource-allocation goals (Dhar and Simonson 1999).

Building on prior findings, this research differentiates two types of goals: consumption goals, aimed at optimizing the product-specific benefits, and resource-allocation goals, aimed at managing resources such as money, time, and effort. I further propose that resource-allocation goals can be further divided into two categories: frugality, aimed at minimizing monetary expenditures, and indulgence (splurging), aimed at maximizing monetary expenditures.

This research argues that the impact of assortment pricing on choice is influenced by the availability of articulated consumption goals and their consistency with a consumer’s resource-allocation goals. In this context, I propose that in the presence of an active resource-allocation goal, consumers who cannot readily identify their most preferred option will be aided by non-parity pricing because it will help them to differentiate the available alternatives. In contrast, for individuals who can readily identify their most preferred option, the impact of differential pricing on choice will be a function of the degree to which options’ prices match individual consumption goals. Thus, when consumption and resource-allocation goals favor the same alternative, differential pricing is likely to facilitate choice. In contrast, when resource-allocation and consumption goals favor different alternatives, non-parity pricing is likely to have an adverse impact on choice.

To illustrate, consider a consumer whose goal is to indulge herself after a work-related success by splurging on a delicious dessert. In this context, she is likely to search for the option that satisfies both consumption and resource-allocation goals. Based on the degree to which she has articulated dessert preferences, there are two possibilities. First, imagine that this consumer does not have articulated preferences; that is, she finds several options to be very attractive and is unsure which of the available desserts she will enjoy most. This research argues that in this case she might find it easier to make a choice when options vary in price, since in the absence of articulated product-related preferences the dispersion of options’ prices can serve as a reference point for goal fulfillment. Thus, consistent with her intent to splurge, she might simply choose the highest priced option. In contrast, when options are equally priced, the choice becomes more complicated because of the uncertainty associated with identifying an option that best satisfies this consumer’s goals. Therefore, I argue that for consumers without articulated preferences, differential pricing is more likely to facilitate choice than equal pricing.

Now imagine that this consumer has articulated preferences and finds one of the desserts, say crème brûlée, to be more attractive than the other available options. I propose that in this case her choice is likely to be influenced by the dispersion of prices across different options. This scenario implies three different option-price patterns. First, when options are priced at parity, this consumer’s decision will be guided by her articulated preferences and she can readily choose her favorite crème brûlée. When options’ prices vary, however, her decision will be influenced by the price of her ideal option relative to the other options in the set. Thus, when the crème brûlée is the most expensive dessert on the menu, she is likely to choose that option not only because it is her ideal dessert but also because it satisfies her desire to splurge. Therefore, this research argues that in this case differential pricing is more likely to facilitate choice than when options are priced at parity.

Finally, consider a scenario in which the crème brûlée is the least expensive dessert. In this case, the consumer is likely to experience goal conflict, whereby the option favored by the consumption goal (crème brûlée) is not the option favored by the resource-allocation goal. As a result, this consumer will have to trade off the two goals in order to make a choice. I propose that the presence of a goal conflict induced by differential pricing is likely to “hurt” choice. Consequently, this consumer will be less likely to identify a single most attractive option and will be more likely not to make a choice than when options are priced at parity.

The above rationale can also be applied to a scenario in which a consumer’s resource-allocation goal is to save rather than spend money. In the absence of articulated consumption preferences, differential pricing is more likely (relative to equal pricing) to facilitate choice by identifying the option that best matches this consumer’s desire to save money. In contrast, when this consumer has articulated consumption preferences, differential pricing will “help” choice when the most preferred option is also the least expensive and will “hurt” choice when the most preferred option is the most expensive.
The proposition that the impact of assortment pricing on the strength of preferences is a function of the availability of articulated consumption goals and their consistency with a consumer’s resource-allocation goals is empirically tested in two experiments. The first experiment shows that in the absence of articulated consumption goals, equally priced assortments led to stronger preferences than did differentially priced assortments. In the presence of articulated consumption goals, however, strength of preferences was a function of the consistency of an individual’s consumption and resource-allocation goals, such that price-differentiated assortments in which goals were consistent resulted in stronger preferences than did equally priced assortments. In contrast, price-differentiated assortments in which consumption and resource-allocation goals were inconsistent resulted in weaker preferences than did equally priced assortments. Building on these findings, the second experiment further documents that the impact of consistency of consumption and resource-allocation goals on strength of preferences is a function of individuals’ need for justification. Thus, the data show that price-differentiated assortments with inconsistent consumption and resource-allocation goals were more likely (relative to goal-consistent assortments) to lead to choice deferral when respondents were explicitly asked to provide the rationale for their decisions. The data analysis is followed by a discussion of the theoretical contributions and managerial implications of this research.

“Principles or Probabilities: When Value Overshadows Expected Value”
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Most theories of decision-making, normative and descriptive, assume that people consider the probability of uncertain outcomes (e.g., Kahneman and Tversky 1979; Savage 1954). However, in many real-world situations, the relevant probabilities are implied rather than explicitly stated. The current research argues that, when facing implicit uncertainties, consumers are more likely to rely on salient psychological cues than on likelihood considerations. Such salient cues often co-vary with probability estimates; for example, when a reward is contingent on greater requirements, earning the reward is both more effortful (a psychologically salient cue) and less probable. Critically, such cues often evoke decision principles (e.g., justice) that are diametrically opposed to probability judgment. The current paper examines exactly such situations in which principle and probability conflict. It is shown that different consumer mindsets may foster decisions based on either principles or probabilities.

A series of experiments investigated this conceptualization by considering how the effort required to earn a reward influences consumers’ sensitivity to the magnitude of that reward. It is first argued that consumers should (normatively) care less about the magnitude of the reward when the required effort is high, because higher effort implies lower probability and frequency of attaining the reward. Accordingly, it is demonstrated that prompting consumers to consider their likelihood of completing the required effort stream decreases their sensitivity toward the magnitude of the reward.

For example, in one study, consumers were told that they could earn a reward after they completed a certain number of surveys online. The required effort was completing either five or fifteen online surveys and the proffered reward was either $100 or $250 (both factors were manipulated between-subjects). One group of consumers was asked to consider the likelihood that they would complete the required effort prior to deciding whether to join this “online survey program.” These consumers (obviously) estimated a higher likelihood of completion in the low (5 surveys) than high (15 surveys) condition. Consistent with normative theory, these probability-prompted consumers were significantly more sensitive to variations in the reward size when the reward was contingent on completing five rather than fifteen surveys. Specifically, in the five-required-surveys condition, increasing the reward from $100 to $250 led to a significant increase of 15% in the decision to join; in contrast, in the fifteen-required-surveys condition, increasing the reward led to a negligible increase of 1% in the decision to join.

A diametrically opposed preference pattern arose for consumers who considered their likelihood of completion only after deciding whether to join the program. For such consumers, effort is a more salient cue for the decision to join than the corresponding (and implicit) probability of completion. Further, the evaluation of effort and reward evokes a compelling justice principle or reason for choice (Prelec and Herrnstein 1991; Shafir, Simonson, and Tversky 1993), namely equity (Adams 1965). According to the equity principle, outcomes should be proportional to inputs, which implies that increasing the required effort will sensitize consumers to the reward magnitude (“when the effort required of me is high, I deserve a large reward”). Indeed, when consumers were not prompted to consider completion probabilities, increasing the reward from $100 to $250 led to a significant increase in joining rates under high but not low effort requirements (27% vs. 3%).

The paper investigates additional decisions under uncertainty that exhibit probability neglect. Consistent with a principle of “post-reinforcement pause,” it is shown that consumers prefer programs that offer a bundle of (non-complementary) rewards at the end of the effort stream ($e^1,e^2,e^3\Rightarrow r_1^2$) rather than identical rewards spread throughout the effort stream ($e^1,e^2\Rightarrow r_1^2$). Here, too, consumers use the relationship between effort and reward as a salient psychological cue. Specifically, consumers seek to “shield” the pleasure of rewards from the dread of future efforts (cf. Prelec and Loewenstein 1998).

A series of studies supported the prediction that consumers prefer to receive rewards after—rather than throughout—the effort stream. In several tests, consumers were asked to indicate the likelihood that they would join a particular program, which offered rewards that were timed either after or during the effort stream (manipulated between-subjects). In other tests, consumers were asked to choose between two effort-reward programs. One of the programs served as a reference option and was held constant across conditions; a second (test) program was manipulated between-subjects and offered rewards either at the end or throughout the effort stream. The experimental design was as follows: (1) both conditions (reference program): stay 10 nights at a hotel ⇒ earn 5000 frequent flyer miles; (2) condition I (test program): stay 10 nights ⇒ earn $50 merchandise certificate and one free night; (3) condition II (test program): stay 5 nights ⇒ earn $50 merchandise certificate ⇒ then stay 5 more nights ⇒ earn one free night.

The results indicate that the test program was significantly more likely to be chosen (over the reference program) when the rewards were scheduled after rather than throughout the effort stream (i.e., in Condition I versus II, respectively).

While this preference structure is consistent with a principle of post-reinforcement pause, it violates dominance and negates likelihood considerations. For example, compared to a program that offers “spread rewards,” a program that schedules all rewards at the end of the effort stream lowers the chances of reaching even a single reward. Indeed, respondents who were prompted to consider their probability of reaching rewards before making choices preferred programs with spread rewards. This reversal is consistent with the notion that consumer mindset can switch between probability and principle.
The paper investigates additional situations in which decision-making oscillates between probability and principle. The current research also examines the different types of mindsets and goals that influence whether consumers rely on probability versus compelling reasons and principles. The theoretical implications of this research are discussed.

REFERENCES