Philosophy and Consumption: Discussions on Trust and Brands

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Conversations continue around Philosophy and Consumption after last year’s roundtable attracted 45 participants, encouraging consumer researchers to reflect on philosophical concepts, frameworks, or philosophical figures that have impacted, and continue to impact, the way each of us asks questions, conceptualizes problems, and carries out our arguments and analysis. This session spurs interaction between scholars with a variety of interests and research paradigms who are engaged –whether implicitly or explicitly–in philosophically informed consumer research. Examples include research on tragedy; constructions of “consumers that matter”; and consumer subjectivities constituted through interaction with brands and marketing representations.

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Progressing a Taxonomy of Possible Reflexivities: Guidelines for Reflexive Practice in Consumer Research

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EXTENDED ABSTRACT

Reflexivity has been identified in consumer research (Wallendorf and Brucks, 1993, Hirschman 1993, Thompson 2002) and in the wider social sciences (e.g. Wasserfall, 1993, Mauthner and Doucet, 1998, 2003) as a way to address power and control in the research encounter, to attend to the researcher/researched dynamic and to give insightful commentaries into the research process itself. The ‘reflexive turn’ (Weick 1999) has emerged in the social sciences largely as a response to the notion that data collection and analysis is a neutral activity, a technology of knowledge making in which the researcher can take a disinterested, objective position in relation to their research. Reflexivity instead is used to highlight the personal, interpersonal, emotional, institutional, disciplinary and pragmatic influences on the research, as well as the methodological, epistemological and ontological assumptions built in to specific approaches (Mauthner and Doucet 2003). As such, reflexivity has been seen a route to more accountable and responsible research, and as a stimulus to better accounts of the social and cultural world.

Researcher reflexivity has been conceptualised in consumer research discourse as a sub type of introspection. It is argued that there is much to recommend reflexivity as a practice in consumer research as it will ‘improve our understanding of the actual research process’ and act as such to develop consumer research theory (Wallendorf and Brucks 1993:355). Additionally it has been seen as a way to address the power issues in consumer research and specifically the instrumentalities of the researcher/respondent relationship. For example, Hirschman (1993:551) advocates a more reflexive approach to research, and argues against the use of detached and ‘objective’ methods in consumer research. She exhorts consumer researchers to ‘choose to abandon any method or practice that is premised on power inequalities between researcher and subject’ she argues that research should be designed which recognises respondents as ‘equal sentient beings’.

Although it is clear that consumer researchers have found the idea of reflexivity attractive and recognised its potentials, there is a need to develop the discourses already apparent in consumer research and formalise the conceptualisation and operation of this research approach. Currently, despite significant discourse around the issue in the wider social sciences there seems to be a lack of discourse around reflexivity in consumer behaviour research and although reflexive practice is evident in some work, the research processes around reflexive research are not articulated clearly, and a plethora of different approaches are evident. The aim of this paper is to stimulate essential new discourse around the practice of reflexivity. In order to do this it is necessary to formalise and structure reflexive practices as a foundation and basis for discussion. This work examines the many different reflexivities which might be enacted within consumer research and their concomitant implications and foundations. To accomplish this it provides a taxonomy of ‘possible reflexivities’ to structure the debate around this element of consumer research and to guide the potentially reflexive consumer researcher. The possible reflexivities which emerge from this study are envisaged as ‘Objectivist Reflexivity’, Experiential Reflexivity’, ‘Perspectival Reflexivity’ and ‘Multiplex Reflexivity’. The possibilities we have identified are distinguished by the dimensions of ontology and power in the research encounter; this position, we believe, reflects closely key issues in contemporary consumer research. In terms of ontology, we reflected upon reflexivity as it has been seen as a route to better knowledge and enhanced theory building through reflection on the process of research. This to us suggested questions and challenges arising pertaining to the ‘reality’ of the research process, not just in terms of what ‘really’ happened, but the models of reality implied in different reflexive approaches. Different types of reflexivity, like different research approaches, carry their own ontological assumptions about the nature of subjects (researcher and researched) and what knowledge is and how it is constructed. These assumptions are clearly crucial to the conceptualisation of multiple reflexivities and render attempts to achieve closure around the notion of reflexivity as a singular concept highly problematic. Attending to ontology as one of the axes in our taxonomy allowed us to structure our theorising to account for this multiplicity of reflexivities and the constitutive and generated realities they imply. In terms of power, this pertains to reflexivity as a route to addressing the power imbalances and issues inherent in any research encounter, whether that be conceptualised in terms of an overt remit for an emancipatory research politics, or as a way to direct the researcher encounter towards one with less of a dominating and instrumental dynamic. For us, reflexivity is inherently political; our exposure to it initially emerged from our own engagement with feminist theory and our identification as feminist researchers. Reflexivity has been seen by feminist researchers (and other critical researchers) as a political tool for critically engaging with power issues in research (Ramazanoglu and Holland 2002). Underpinning the different types of reflexivity in our taxonomy are assumptions relating to the nature of power in the researcher/respondent relationship and these different reflexivities also generate different (and sometimes ambivalent) power relations in the research encounter. In terms of this constitutive and generative relation to power we found that the taxonomy of reflexivities was a useful tool to reflect in a more structured manner upon the shifts in the researcher/respondent power dynamic which occurred at different parts of our own research. As Wolf (1996) has argued, power differentials are an inevitable part of research, and the necessity is to critically reflect upon these inevitable differentials and the way that these shift and transform as the research progresses. Attending to power as one axis of our taxonomy allowed us to structure our thinking about reflexivity in terms of these shifting power relations.

This paper progresses the authors’ recent work on researcher reflexivity which has been developed and augmented with practical guidelines for the different approaches to reflexivity. Guidelines for practical action and points for reflection are given which relate to each of the possible reflexivities outlined in the taxonomy.
Auspiciousness: Coping with Kratophany
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The sacred, described as “more significant, powerful and extraordinary than the self” (Belk, Wallendorf and Sherry, 1989, p.13) is distinguished from the merely special by the key characteristic of efficacy. Belk et al. (1989) also note that the sacred should be approached with care, because the sacred has kratophanous power. Kratophany—the simultaneous devotion to, and fear of, the sacred (Pimentel and Reynolds 2004)—is experienced by consumers because the efficacious power of the sacred is unpredictably multi-valenced: it can be manifest in a benevolent and/or malevolent way (Belk and Wallendorf 1990). Accordingly, when consumers seek the benevolence of the good-sacred, they likely also expose themselves to the malevolence of the bad-sacred (Belk and Wallendorf 1990). Consequently, consumers can simultaneously experience strong positive feelings (e.g. devotion) and strong negative feelings (e.g. fear) towards the sacred (Belk et al. 1989; Pimentel and Reynolds 2004).

Belk et al. (1989, p.8) suggest that ritual prepares profane persons to approach the sacred, and surrounds the contact of these profane persons with the sacred to forestall the unleashing of the evil powers of the sacred. We believe this implies that consumers require ways to cope, when faced with the kratophanous power of the sacred. Consumer researchers have not yet devoted much attention to discovering these coping mechanisms. Consequently, we begin to fill this gap in the consumer research literature by examining how Hindu Indians use auspiciousness to cope when faced with the tension inherent in their kratophanous reactions to the sacred.

THEORETICAL FOUNDATIONS

The Meaning of Kratophany

The term kratophany was introduced into the English language by Mircea Eliade, as a technical term meaning “an appearance of the sacred in which the experience of power dominates” (Miller 2005). Belk et al. (1989) introduced kratophany to the consumer literature as one of the twelve properties of the sacred, and explained kratophany as the ability of the sacred to elicit both strong approach and strong avoidance tendencies. More recently, Pimentel and Reynolds (2004) defined kratophany as the simultaneous devotion to, and fear of, the sacred. This later definition, which focuses on consumers’ reactions to the sacred, is consistent with the way the term has been used in more recent consumer research (e.g. Curasi, Price and Arnould 2004). Our reading of the relevant extant literature suggests that consumer researchers’ progress in understanding of kratophany may have been impeded because kratophany has been used to describe both the sacred, and consumers reactions to the sacred. We adopt Pimentel and Reynold’s (2004) definition of kratophany, and carefully distinguish between “the kratophanous power of the sacred” (a property of the sacred) and kratophany (consumers’ strong, mixed reactions when faced with the sacred’s kratophanous power), throughout this paper.

Coping with Kratophany

Although Belk et al. (1989) give different examples of sacred entities associated with the benevolent good-sacred (e.g. gods) and malevolent bad-sacred (e.g. corpses) powers respectively, they then note that consumers fear malevolence, at the same time as they seek benevolence. Although some entities may be largely seen as benevolent, and some may be largely seen as malevolent, all sacred entities have the potential to be both benevolent and malevolent, provoking mixed feelings of awe and terror (Belk et al. 1989). We surmise from this that kratophany exists because the power of the sacred does not operate on a simple continuum. Instead, sacred power can be manifest along two orthogonal dimensions—a dimension of good-sacredness and a dimension of bad-sacredness. It is the two-dimensional nature of sacred power, coupled with its unpredictability, which generates the tension inherent in kratophany. Furthermore, even when particular sacred entities are usually perceived of as wholly benevolent, these entities tend to be approached with care, because the power of the sacred, irrespective of its valence, is understood to be dangerous to ordinary beings. It seems logical that consumers would employ coping mechanisms to deal the kratophanous power of the sacred. Accordingly, we ask what these forms these coping mechanisms might take.

Belk and Wallendorf (1990) examine one such kratophanous sacred entity—money—in depth, and suggest that money can be perceived as kratophanous by consumers because it is viewed as having both malevolent and benevolent powers. We surmise from their work that if sacred power is NOT understood or perceived as multi-valenced (for example a child’s faith in a wholly benevolent God), then kratophany may be considerably lessened. Hence it is possible that consumers could cope with kratophany by choosing to view the sacred entity is purely benevolent (leading to a pure approach orientation) or by viewing the sacred entity as purely malevolent (leading to a pure avoidance orientation). To be precise, in these situations, choosing to perceive the sacred entity as wholly positive or wholly negative collapses the good-sacred bad-sacred dialectic to a simple continuum anchored on either end by the benevolent good-sacred and the malevolent bad-sacred respectively. However, a consumer with an approach orientation to the sacred would still need to undertake further preparatory rituals such as self-cleansing, because of the danger inherent in any contact with sacred power.

Two other consumer research studies have briefly discussed kratophany using the illustration of consumers’ relationships with inherited family heirlooms (Curasi, Price and Arnould 2004) and their college football teams (Pimentel and Reynolds 2004) respectively. In both cases, consumers highly value something (the heirloom or the team’s victory) while simultaneously fearing the loss of that thing. These two examples attest to the tension caused by the simultaneous antithetical reactions to the sacred, suggesting that when consumers do perceive sacred power as valenced, it is this uncertainty as to the outcome in a particular instance that causes the tension associated kratophany. For example, a confident custodian of family heirlooms or a devoted fan who is aware that loss can occur but who is sure that loss will not occur, will likely not experience kratophany. This suggests to us that a more sophisticated coping mechanism might involve attempts to reduce uncertainty. We believe that the Hindu Indian (“Hindu”) concern with auspiciousness may shed light on how consumers cope with kratophany by reducing uncertainty.

Auspiciousness

Auspiciousness is a favorable state that bodes well for the future (Inden 1985). According to Inden, the Roman Empire practice of augury—interpreting signs from nature in order to
Auspicious and Inauspicious Elements in Hindu Discourse

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1Based on information in Das 1982; Srinivas 1952; and Yagi (1999)

TABLE 1

Determine the will of the gods—gave us the word auspicious, which comes from the Latin noun avis (bird) and the Latin verb spicere (to look at). Although we shall use the Hindu notion of auspiciousness to illustrate our discussion, we note for the record that auspiciousness is also an important conceptual category in other Asian cultures. Furthermore, we note that in contrast to Western consumers’ idiosyncratic use of rituals designed to generate favorable outcomes (such as personalized pre-game rituals undertaken by some professional sportspeople), auspiciousness systematically pervades Hindu Indians’ daily lives. Hindu Indians’ shared understanding of auspiciousness also suggests that such rituals are more likely to be publicly employed in India, as compared to the West. Almost every thing, creature, person, act, or event can be described in Hindu discourse as either auspicious or inauspicious. Anything that predisposes the gods to favor a human undertaking is auspicious. People, events, objects, words, numbers and points in time can be more or less auspicious.

Table 1 draws on the work of Indian sociologists to present examples of auspicious and inauspicious elements in Hindu discourse. As indicated in the table, Das (1982) points out that among Hindus, marriage and other rituals pertaining to life are regarded as auspicious while cremation and other rituals pertaining to death are viewed as inauspicious. Consequently in her view, auspiciousness is defined as pertaining to life and inauspiciousness as pertaining to death. In a similar vein, Marglin (1985) suggests that auspiciousness is reflected in festivities and inauspiciousness in mourning. Narayanan’s (1985) more nuanced example of the auspicious death of an elderly man pre-deceased by his wife and survived by his progeny suggests that inauspiciousness is anything that prevents the extended family from carrying out its dharma or destiny of biological immortality (Channa 2000).

Every married Hindu woman, during her husband’s lifetime, is perceived to be the concrete embodiment of temporal auspiciousness, as shown in her colorful attire, jewelry and the red dot on her forehead (Carman 1985). But, as soon as she becomes a widow, she is viewed as inauspicious, and generally avoided (Srinivas 1952). Yagi explains the difference in auspiciousness between the two as a function of their ability to bear “fruit” (1999 p.275). Hence Yagi (1999) views auspiciousness as conduciveness to future prosperity, much like the concept of “lucky” numbers found elsewhere. In a similar vein, Inden and Nicholas (1977) define the Hindu term mangala to mean luck or well-being. Srinivas, on the other hand, writes that “mangala [an emic term referring to the marriage ceremony which involves the tying of a sacred thread or mangala sutra around the bride’s neck] is an auspicious or good-sacred ceremony” (1952, p.74), and later implies that inauspiciousness relates to bad-sacredness. Thus, we seek to clarify the relationship of auspiciousness to the Western concept of “luck” and its relationship(s) to the benevolent and the malevolent sacred.

METHOD

We utilize data from depth interviews conducted with twelve Hindu Indian informants. Two of our informants were resident in India, two were resident in Australia, and eight were resident in New Zealand. The ten non-resident Hindu Indians we interviewed had spent the majority of their adult lives in India, had married Hindu Indian spouses in India, and continued to maintain strong ties with India after immigrating to Australasia. Our informants, eight of whom were female, ranged in age from 24 to 77. In keeping with interpretive research norms, we utilize the use of pseudonyms to preserve our informants’ anonymity. We employed the constant comparative method of analysis, engaging in open ended and axial coding of interview transcripts and fieldnotes and developing interpretations after each wave of data collection. Our emergent insights then informed and directed the next phase of data collection. Our interpretations in each phase were informed by the relevant literature.

FINDINGS

Hindus utilize as many auspicious elements and signs as possible, and avoid anything remotely inauspicious. Auspicious times, places, persons, colors, and objects seem to be valued by Hindus because they attract the benevolence of cosmic powers.

Auspiciousness is a control mechanism

Our informants found it easy to list objects, times or places that are auspicious and those which are inauspicious. We spoke to Sudha (IF 77) and her daughter-in-law Shaila (IF 39) about the meaning of auspiciousness.
Auspiciousness: Coping with Kratophany

Sudha: auspicious events mean something good...
Shaila: good
Sudha: ...inauspicious events are the opposite of that.
Shaila: “if we want to do something, we note it from the calendar—in India we get calendars that show certain dates that are auspicious...lucky days! It’s something to do with lucky and unlucky.

Int: lucky and unlucky?
Sudha: we may see from the calendar which days are good.
Shaila: we do the same with numbers too. Some are lucky and some are unlucky. Nine is a lucky number...
Sudha: seven also.

According to these comments, auspicious bears some relationship to “lucky” and “good”. However, another informant was careful to distinguish the concept of auspiciousness from that of luck. To Geeta (IF 44) an auspicious object is more than a lucky object, as luck implied (to her) something that cannot be controlled. Instead, auspiciousness was explained as something that helped a person increase the chances of a favorable outcome by increasing the probability the gods would approve of their undertaking. This seems to imply that Hindus attempt to exert control over their lives by using auspicious elements and signs. According to Geeta,

“a Hindu believes that there are definitely some things that are better than others and some times that are far better than other times, they are the auspicious times. There are definitely times that are bad or things that are bad that as a Hindu we must avoid. These are the things that have not met with God’s approval. Who are we to decide for ourselves what we want to do? Inauspicious times are the worst times or things possible—yes there are ‘neutral’ times or things but they are avoided for the big decisions as they can be seen as just as bad as the inauspicious times. If we have three choices, have God on our side; have him against us or have him not care, I would like God on our side all the time. If he does not care about our decision either way then it is not auspicious, he is not against us so it is not inauspicious or dirty, but he is not in approval—therefore for the big decisions we cannot go forward.”

Geeta’s observation—that small tasks can be undertaken in neutral times, but important tasks cannot—implies to us that while it may be acceptable to risk failure with regard to trivial tasks, important tasks need every assistance possible, so as to ensure success. As Dinesh (IM 55) put it, auspicious objects are like “…runway lights for a plane—the better the light, the more chance there is that Ganesh [a Hindu god] will visit us and give us success.” We surmise from Dinesh’s observation that auspiciousness can serve to beckon the benevolence of the sacred.

Later Vijay (IM 25) elaborated, “…the gods are often called upon for daily as well as life altering events. However, the big decisions require far more effort and planning—the women are the ‘prayer warriors’ for the family and are seen as responsible for the [their] husbands’ health.” As we shall show, this is because auspiciousness can be transferred from one entity to another, and hence allowing the task of generating auspiciousness to be sub-contracted to another.

Auspiciousness can protect

In traditional Hindu belief, the bride and groom ascend to a temporary elevated state, and are believed to be the embodiment of deities (in the case of Brahmmins) or royalty (in the case of non-Brahmins) during the marriage ceremony (Dumont 1972). Situating a ritual performance in an auspicious space and time while employing the use of auspicious artifacts facilitates this movement between liminal and bounded states (Das 1982). Accordingly, several of our informants described preparations for a typical wedding. First, a priest is consulted to select the most auspicious date and time for the wedding, with respect to the birthdates of the bride and groom. Prior to the wedding, the bride, groom, and any ritual objects to be used in the ceremony are purified while the selected venue is physically and ritually cleansed and decorated. Often a dais is erected in a hall or under an awning outside the home. The location in physical space that houses the birth, marriage or death acts as what Eliade (1959) terms an imago mundi (a representation of the cosmos on the earth). For example, during the ceremony, the bride and groom often sit on a mandap, a raised platform, under a canopy with four pillars. The material directly over the place where the bride and groom sit is often an auspicious red color. The Hindu bride is most often dressed in a new, auspiciously red sari, and adorned with auspicious jewelry. Other ritual attempts to generate auspiciousness are made. Vijay, recollected his own wedding day in India:

“The havan [sacred fire altar] was prepared in the center of the largest room in my ancestral home. As the wedding began, Anita [the bride] and I were seated in front of the havan ... and we added ghee [clarified butter] to it when instructed by the pandit [priest]. He would sing mantras [invocations] and after each one we’d add some ghee and the guests would add sawdust [sweet smelling wood grains].”

Just as the central mall in Heritage Village was designed to allow its visitors to experience a time and space separate from the profane world without (O’Guinn and Belk 1989), the transcendence of spatio-temporal boundaries is also experienced at the focal point of the Hindu wedding ceremony, the havan. The perfumed smoke of the fire, the burning of incense and the chanting of mantras all serve to transport the participants to the liminal zone of the axis mundi, where they may commune with the sacred. The havan is sacralized by the addition of ghee [clarified butter] which is considered the most distilled essence of the cow which is revered as sacred by Hindus (Korom 2000).

Sudha explained to us that the date for a marriage is fixed after checking that it is an auspicious date for both groom and bride (as determined from their respective birthdates). However, she elaborated “Fate picks the date of death but within that you can pick your timings [for the cremation]. But if possible they do the cremation on the day of death. But they can pick mornings or evenings depending on which is more auspicious...” We learnt from Sudha that since the date of births and deaths cannot usually be chosen, special care must be taken to remove auspiciousness e.g. by engaging a religious leader to engage in special prayers in order to “stop bad things from happening”.

We surmise from Sudha’s comments that during dangerous times of transition such as birth, marriage and death, auspicious symbols do more than just attract the benevolent attentions of the good-sacred—they also serve to repel the malevolent attentions of the bad-sacred and/or protect from the danger inherent in sacred power.

Auspiciousness can be sub-contracted

Many Hindu marriages involve the tying of a sacred necklace made of gold and black beads, called a Mangal Sutra—literally “auspicious thread”—(in North India) or a tali (in South India) around the bride’s neck. Maya (IF 44), a medical professional now residing in Australasia, was asked about her Mangal Sutra. Maya told the interviewer that she was planning to buy a bigger and more expensive one when she made her next trip to India. This more
elaborate Mangal Sutra was to be purchased to serve as evidence of her new improved financial status. When asked how she would dispose of the old one, she reacted in surprise, “Oh you can NEVER [emphasis present] sell it, you have to melt the old one and use the gold to help make the new one. If not the new one will not be genuine…it will not be auspicious”. It appears that the sacred powers contained in the Mangal Sutra reside in the gold and black beads it is made of, and can be transported by incorporating said gold and beads into another Mangal Sutra.

This ability to transfer auspiciousness from one element to another, coupled with Vijay’s remark that “women were the prayer warriors of the family” led us to ask whether auspiciousness be transferred between individuals as well. Can auspiciousness be generated by one party, while its benefits are enjoyed by another? Further probing elicited that Hindu women’s responsibilities extend well beyond the modern Western notion of women ensuring their husband’s good health by managing their nutrition and medical care. Hindu women are also expected to pray, fast and wear auspicious symbols in order to ensure their husbands’ longevity.

This “sub-contracting” of auspiciousness—generation to the women of the family begins at marriage. One informant, Tara (IF 42) explained that once married, a bride’s new focus was expected to be the well-being of her husband. According to Tara,

“These glass bangles …are rings of glass with a bit of silver. They are a symbol for trinity…after marriage, in India, glass bangles are a must for every married woman. And you must be very careful that you don’t break them…glass bangles give long life to your husband…The toe rings as such, that is also part of married….uh….uniform that you have to wear….this Mangal Sutra [pointing to the gold necklace she was wearing] is another thing that every Indian woman wears, these black beads are what we call a symbol of marriage. Every married woman wears these… This….is also for the longevity of your husband….everything for the husband, so we….we’re happy.”

The tinkling sounds made by jewelry such as bangles and anklets are believed to be pleasant to the gods. According to Shukla (2000), a bride not wearing the marriage jewelry of toe rings, anklets, and most importantly, bangles, can become a bad omen for the husband. Wearing the jewelry does not just generate positive outcomes for the husband, it avoids the negative outcomes generated by not wearing the jewelry. We surmise from this that auspiciousness simultaneously functions to approach the good-sacred and repel the bad-sacred.

The relationship between auspiciousness and sacredness can be further unpacked by looking at the kratophanous power gold jewelry such as the Mangal Sutra. These strong, ambivalent reactions inherent in kratophany, are evident when we consider the reversal of the rituals involved in marriage when a woman becomes a widow. During the marriage, the adorning of the bride with auspicious gold jewelry prepares the bride to join the groom in a temporary elevated state, as they are believed to be the embodiment of a god/goddess (in the case of Brahmins) or royalty (in the case of non-Brahmins) during the ceremony (Dumont 1972). While the couple is in this common state of elevation, the bride is incorporated into her husband by virtue of the marriage rites which usually include the groom or the officiating priest tying a golden thread bearing the Mangal Sutra pendant around her neck. Since Hindus view the wife as incorporated into her husband’s body, his death means that she is permanently associated with death and bad-sacredness. Thus the voluntary removal (Srinivas 1952) or forcible stripping (Firth 2001) of auspicious wedding jewelry from a widow, is an obvious reversal of the adorning of the bride, to prevent attracting the attention of bad-sacred powers.

The new bride is adorned by the groom’s family with auspicious jewelry to anchor her to her new identity. Once the bride is absorbed into the groom’s self, she is does not need to transcend the boundaries of the groom’s extended family but enters it as part of the groom. Consequently, the extended family’s boundaries are maintained intact throughout the process—the groom ascends to a higher cosmic plane temporarily and returns to the extended family augmented with the bride as his “half-body.” When the new wife utilizes auspicious symbols to attract the benevolence of the gods for the benefit of her husband and his extended family, she is also helping to ensure her own favorable destiny since she is now as one with them. Thus selection of auspicious dates, times, and spaces, and the use of auspicious symbols are motivated by the desire to attract the benevolent attentions of the good-sacred while repelling the malevolent attentions of the bad-sacred.

**DISCUSSION**

Hindus believe in karma—that one’s present social status is prescribed by one’s actions in a previous incarnation (Channa 2000). Thus Hindus are commonly thought of as fatalists and perceived to be very different from North American societies where the majority of individuals are believed to seek to control their own destiny. Yet, Hindus’ concern with generating auspiciousness is second only to their concern with attaining and maintaining purity. When we recognize that purity is viewed as the absence of pollution, which in turn is viewed as “essentially that which cannot be controlled” (Herschman 1974, p.290), we begin to understand that the Hindu attempt to be pure and auspicious is an attempt to control one’s condition by avoiding or removing that which cannot be controlled.

Hindus are concerned with using auspicious symbols to attract the benevolence of the gods and avoiding inauspicious symbols to avoid attracting the attention of malevolent beings. We note that this concern with auspiciousness is heightened at times of birth, marriage and death—all dangerous transitions where we are forced to face the kratophanous power of the sacred. We view this concern with auspiciousness as an attempt to indirectly control (via the superior powers of the gods) what one cannot control directly. Thus, Hindus are, after all, concerned with control. The need to exert control over one’s destiny is universal- and it will find expression in some way, despite the constraints of society and religion. Consequently, even those in the West who seek to exert personal control over their lives, may seek to indirectly control those aspects of their lives cannot be directly controlled. For example, the popular media abounds with stories of people fighting a terminal disease who seek to dominate the uncontrollable by using science, litigation, religion or even, magic. Like purity and pollution, science and litigation operate on a social plane. Like the sacred gods, religion and magic operate on a cosmic plane. Our Western equivalents of auspicious symbols, such as lucky numbers, prayerbooks, magic crystals, and inalienable jewelry, are used to attract benevolent cosmic powers to control what we cannot control, on our behalf. Thus marketers are increasingly faced with consumers who seek to control every aspect of the consumption experience but then may be dissatisfied when the product, service, or experience consumed is not exactly what they had anticipated. For example, while awaiting the discovery of a magical weight-loss pill or elixir of life, some consumers seek to transform their bodies or regain their youth with the aid of a surgeon’s scalpel (Schouten 1991) in an attempt to control their appearance, and perhaps, their destinies.
How does the Hindu conceptualization of auspiciousness inform consumer research on luck, chance, and negotiation? Our realization that consumers employ auspiciousness in attempt to indirectly control their destiny offers insight into the krataphonous power of the sacred. Krataphony may explain the revulsion and vindictiveness consumers experience when omnipotent surgeons and revered ballplayers fail to provide them with the favorable outcomes they seek. We call for research that looks at, and how, science, religion and magic inter-relate in the lives of postmodern consumers actively seeking to participate in production and consumption processes (Firat and Venkatesh 1995).

Thus our explication of auspiciousness sheds light on the distinction between the good-sacred and the bad-sacred. Sacred powers, whether benevolent or malevolent, cannot be controlled by mere humans. Hence the use of auspiciousness represents a way of manifesting attempts to attract benevolent powers and the removal of inauspiciousness is an attempt to forestall malevolent powers while also protecting oneself from the danger inherent in sacred power. What other coping mechanisms do consumers employ, when faced with the kratophony of the sacred? Research into these coping mechanisms may shed further light on the nature of the krataphonous power of the sacred, and the impact kratophony on consumers.

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EXTENDED ABSTRACT

This paper explores multiplicity in consumers’ self-concepts and their relationship with consumption experiences. It builds upon recent streams of consumer research that recognize multiplicity in self concepts and examine multiple selves in different consumption contexts. It addresses the question, what is the meaning of consumption experiences from the perspective of multiple selves? More specifically, does a consumption experience entail one set of attitudes and feelings that are consistent across selves or does it involve many sets of attitudes and feelings that vary across selves?

This research draws from dialogical self theory, which views multiple selves as narrative voices that occupy multiple self-positions (Hermans and Kempen 1993; Raggatt 2000, 2002). This theoretical perspective relies on people’s life stories centered on important attachments to people, historic events, beliefs, and consumption activities as the basis for their self-positions. This theory assumes a natural state of multiplicity and allows multiple selves to enter into dialogical relationships. By grounding our study in this theory we are able to gain a broader understanding of the consumer selves, which then can be applied to better understand consumption experiences from the perspective of the different selves.

In this paper, the term multiple selves is used to mean multiple voices that speak from different positions, which is very different from schizophrenia or multiple personality disorder. Moreover, we choose to use the word “multiple selves” instead of “self positions,” “multiple voices” or “dialogical self” as it is a more generic term that is consistent with current marketing literature on self-concept.

The dialogical self differs from other more commonly used perspectives in consumer behavior. It is different from the situational self (Schenk and Holman 1980) in that the focus is on the position from which the person is narrating an experience, which is not necessarily tied to a particular situation. Dialogical self is more of an internal perspective based on affective attachments as opposed to a self image that is desirable in a particular situation. It also varies from identity theory, and social identity theory. The dialogical self is a broader construct that subsumes roles and social memberships. While social identities gain salience through positive affirmations, dialogical self emerges from positive and negative attachments. Dialogical self also differs from other conceptualizations as it allows for dialogical relationships. Consequently, the consumption choices would be different from what they would be in the absence of dialogical relationships.

This study employed a mixed-method approach in order to understand consumers within a larger context over and above current explanations of multiple selves as role identities, social identities, and narrators of consumption stories. Raggatt’s (2002) personality web protocol, comprising narratives and multi-dimensional scaling, was adapted and used in combination with metaphors in order to discern multiple selves. Metaphor analysis was used to get a further understanding of the feelings attached to the selves discerned and to understand informants’ consumption experiences at the overall and self levels.

There were 12 hours of data collection for each of the study’s six informants. In this paper we report data from two individuals.

The findings illustrate that the same consumption object or experience can evoke different sets of feelings for different selves. This has significant implications on how we study consumer behavior and also for market researchers in their endeavors to understand consumers’ attitudes and opinions. Further, by examining positive and negative consumption experiences from the lens of multiple selves, this research contributes to current literature in post purchase evaluation.

Current research suggests that products that evoke primarily positive emotions during the consumption experience are positively evaluated (Oliver 1993; Stokmans1998; Westbrook and Oliver 1991), which was also found in our study. However, when understood from perspective of certain selves, even positive experiences could involve primarily negative emotions. More interestingly, some products and experiences that were considered negative and evoked overall negative feelings were described as very positive experiences when understood from perspective of certain selves. These findings suggest that researchers would benefit from examining consumption attitudes and feelings from perspective of the consuming selves in order to understand complex consumer processes such as post purchase emotions and evaluations.

The findings in this study, consistent with dialogical theory, suggest that decisions are not based on overall feelings or attitude towards a product, but based on feelings of the self that is dominant at the time. The idea of dominant self is similar to that of identity salience (Arnett et al 2003; Dimofte, Forehand, and Deshpande 2003; Forehand, Deshpande and Reed 2002; Kleine et al 1993; Laverie et al 2002). Yet, an importance difference is that the sphere of influence for the dominant self extends beyond that of salient identities, which are primarily concerned with identity-related consumption behaviors. Further, we found that the dialogical self perspective allowed us to study products that are not clearly related to any identity and may be outside the purview of identity studies.

We also found that overall metaphorical feelings were different from feelings expressed by the different selves. This reveals limitations of research methods that do not take into account feelings and attitudes of the different selves. By looking through the lens of multiple selves as a dialog between multiple self positions, we can gain a richer understanding of consumption patterns in consumers. Instead of relying on compensatory reasoning as is done in multi-attribute models, we see that consumption is often based on dominant feelings of one self which may not be congruent with other self perspectives.

The findings in this paper reiterate the importance of studying consumer behavior from the perspective of multiple selves. Other research programs can adapt the methodology used in this study to examine multiple selves in other consumption contexts such as brand loyalty. Further, this study demonstrates the use of dialogical self theory, which can also be used to understand other consumer topics such as ambivalence, conflict resolution, addictions, and self-control.

BIBLIOGRAPHY


710 / One or Many?: Examining Consumption Experiences from the Lens of Multiple Selves


Lines in the Sand: Using Category Widths to Define and Pursue Self-Control Goals
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EXTENDED ABSTRACT
Much of the recent media attention on issues such as obesity in children and adults (Brownell and Yach 2005), rising bankruptcies caused by overextension of credit (Fetterman 2005), and the lack of savings by Americans (Colvin 2005), focuses on individuals’ inability to regulate their own behavior. That is, many people seem to repeatedly give in to temptations in an impulsive manner (Baumeister 2002). While this lack of control may well account for many societal ills, lack of control alone does not tell the full story. Rather, failure to properly categorize alternatives is likely a contributing factor to the problems associated with such issues as obesity and consumer debt. In fact, the road to addressing many of the dark issues associated with today’s society begins with individual consumers setting goals and creating plans to achieve those goals. One of the first steps in creating such plans is to define the category of goal-consistent options and behaviors. For example, a consumer embarking on a dieting plan needs to determine if buying a McDonald’s hamburger should be categorized as a goal-consistent alternative or not. Similarly, a consumer creating a plan to reduce personal debt will need to determine if “buying groceries” using credit should be categorized as an appropriate expenditure that constitutes an acceptable or unacceptable behavior. Ill-defined plans in this early categorization phase can contribute to self-control failure in a variety of consumption domains.

Categorization theory provides insight into the ways that individuals define and group stimuli in their environment. However, despite the realization that self-control goals are contingent upon delineation of target behaviors and outcomes (Gollwitzer 2003), little research has focused on the goal-consistent and goal-inconsistent option categorization process as it relates to goal pursuit. Specifically, category width has long been viewed as an individual difference factor (Huang 1981; Pettigrew 1958), such that individuals are chronically either broad or narrow categorizers of various stimuli in their environments. In this tradition, neither goals nor beliefs about one’s own self-control ability should normatively impact the way in which a given set of options is categorized. More recent research has demonstrated that category width can be altered by situational factors (Ülkümen, Morwitz and Chakravarti 2006).

In the present research, we are primarily interested in exploring the relationship between self-control goals, individuals’ perceptions of their ability to meet self-control goals, and the widths of their categories of goal-consistent and goal-inconsistent alternatives. Importantly, we are interested in the ways that categories of goal-consistent and goal-inconsistent options are subjectively defined by individuals. Options included in the goal-consistent category are, conceptually, those alternatives the individual feels will constitute an acceptable or unacceptable expenditure that facilitates the accomplishment of her/his goal(s). On the contrary, goal-inconsistent options are potential choices that hamper efforts toward goal achievement, based on the individual’s interpretation. Our research illuminates issues involving category construction and self-control by showing that variation in the construction of goal-consistent and goal-inconsistent option categories can be explained by examining individuals’ trait level self-control as well as their particular consumption goals. Furthermore, we demonstrate that the construction of these categories can differentially impact subsequent choice behavior.

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Stress and Eating: Disentangling the Effects of Psychological, Autonomic and Endocrine Components of Stress Response
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ABSTRACT
Using a psychophysiological approach to stress, this study examines the joint effects of psychological, autonomic and endocrine reactivity on consumer food preference under stress through a randomized controlled study. Stress was manipulated using guided mental imagery technique. Consumer showed increased preference for high energy-density snack foods in the stress vs. control condition. The changes in food preference were jointly predicted by psychological, autonomic and endocrine responses. A model comparison approach shows that the inclusion of autonomic and endocrine responses contributed incrementally to the prediction of food preference. Theoretical and practical implications are discussed.
EXTENDED ABSTRACT

One of the vexing conundrums in everyday life is our inability to say “no” to actions that we would ideally like to say “no” to. It is common for people to profess ‘healthy eating’ goals and yet repeatedly succumb to temptations in the form of foods high in calories, fat, sugar etc. Such instances of goal-behavior inconsistency represent failures of self-regulation (Heatherton and Baumeister, 1996).

Research in consumer behavior has long been interested in strategies aimed at reducing self-regulation failures (Hoch and Loewenstein, 1991). In this research, we examine whether having mental accounts (Thaler, 1980, Thaler and Johnson, 1985; Tversky and Kahneman, 1981), defined as self-specified allowances for action, will lead to improved self-regulation. Why should mental account influence self-regulation? According to Baumeister (2002), effective self-regulation depends on three principal factors which are (a) clear standards for the behaviors to be regulated, (b) ability to monitor one’s status with regard to the standards, and (c) capacity, i.e., resources to alter one’s own behavior should it be warranted.

Mental accounts appear to satisfy all the three criteria outlined by Baumeister (2002) that are necessary for self-regulation. First, mental accounts are set around active goals (Brendl, Markman, and Higgins, 1998), so they inherently provide the necessary standards/ goals for behavior. Second, mental accounts enable a person to evaluate current choice in terms of previous choices (Kahneman and Tversky, 1984); therefore, mental accounts enable one to monitor one’s own behavior. Finally, mental accounts have been thought of as instances of categorization (Henderson and Peterson, 1992), which results in resource-efficient decision-making. Thus, having a mental account leaves the decision-maker with more resources to exert self-control. Although the connection between mental accounts and categorization has been made, its connection to the amount of resources needed for decision-making has neither been demonstrated nor been made before in the literature. Since the capacity to change behavior, i.e., having enough resources to change, is a critical element without which having standards or monitoring is less likely to be useful (Baumeister, 2002), we believe it is important to assess whether having a mental account renders decision-making more efficient. Based on the notion that speed of decision is an index of the efficiency, we hypothesize that people with a mental account will make quicker decisions regarding actions relating to the mental account than people without a mental account.

Does this mean that whenever people have mental accounts, they will be able to achieve improved self-regulation? We argue that mental accounts are likely to facilitate self-control only when the task frame adopted by the decision-maker, choose versus reject (Shafir, 1993), is compatible with the goal. Specifically, if the goal is to limit behavior, we argue that a reject task is more compatible with the goal, allowing the mental account to exert its influence. A choose task, on the other hand, orients the person to look for reasons to adopt the behavior, and therefore is less compatible with the goal of limiting the behavior. Based on this reasoning, we suggest that there is reason to expect that the effect of mental accounts in limiting indulgent behaviors will be more pronounced in a reject task rather than in a choose task.

Two studies were conducted as part of a program of research focused on the self-regulatory effectiveness of mental accounts. The first study manipulated presence of mental accounts and task frame, and found that decision time was considerably faster when the decision-maker had a mental account. However, this study found only directionally consistent effects on self-regulation on account of limited variability in the dependent variable. The second study involved the same manipulations and found that mental accounts are successful in facilitating self-regulation only when the task was compatible with the goal of the mental account. Thus, having a mental account significantly reduced the likelihood of engaging in indulgent behaviors, but only when the participant was in a reject task, not in a choose task.

The contribution of this research is threefold. First, we investigate this phenomenon in a non-monetary context, in contrast with the vast majority of the research on mental accounting which focuses on monetary decision contexts. Second, we let the participants estimate the size of their mental account. Majority of the research in mental accounting examines this phenomenon by presenting participants with scenarios that involve pre-set mental accounts (both in terms of size and context). Third, and most important, the connection with self-regulation situates mental accounting as a factor that shapes the cognitive process underlying decision-making rather than as an evaluation frame that affects economic outcomes.

In summary, mental accounts offer an ecologically relevant way of exerting self-control when faced with tempting choices. However, they do so only when the task adopted by the decision-maker is compatible with the goal of the account. We believe that one of the salient features of this research is that it bridges the knowledge from three well researched genres, mental accounting, self-regulation and task framing, to indicate conditions under which people can bring their behavior in line with their own goals.

REFERENCES

Making Prudent vs. Impulsive Choices: The Role of Anticipated Shame and Guilt on Consumer Self-Control

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ABSTRACT

We examine the differential effects of anticipating shame vs. guilt on choice likelihood of a hedonic product. The results demonstrate that when offered a hedonic snack (chocolate cake) consumers who anticipate shame are significantly less likely to choose to consume it compared to those who anticipate guilt. Anticipating guilt also has a more circumscribed effect, impacting choice likelihood only for those consumers who are not attitudinally inclined toward the hedonic product. The results also show that anticipating guilt versus shame has different effects on anticipated happiness after lapses in self-control.

INTRODUCTION

Maria was dismayed at how much weight she had gained. It seemed that no matter how hard she tried, she just couldn’t resist indulging in high calorie desserts. Vowing to remember how bad her overeating made her feel, she put a note on the box of left-over cake from her daughter’s birthday party that reads “if you eat this, you will feel bad.”

Two powerful negative emotions of self-condemnation are shame and guilt. While commonsense knowledge reminds us that these emotions are reactions to self-control failures, little is known about whether anticipating these emotions as a consequence of consumption will impact self-control. Hence, one objective of this paper is to examine whether anticipating shame and guilt from lapses in self-control influences actual self-control. Although a limited body of literature has examined the impact of guilt on self-control, knowledge of the impact of anticipated shame is lacking. Thus, a second objective of this research is to assess whether shame and guilt exert differential effects on consumer self-control. Finally, while many consumers are beset by problems of self-regulation as evidenced by overeating, overspending, compulsive shopping, gambling, smoking and drug use, not all consumers experience problems with self control equally. Thus, the third and final objective of this research is to examine whether shame and guilt have a differential impact on consumers whose personality or preferences make them differentially vulnerable to self-control lapses.

THEORY AND HYPOTHESES

Anticipated Affect and Self-Control

Recent work in psychology and marketing has begun to examine anticipated or forecasted emotions and their impact on choice. Anticipated emotions (also called affective forecasts) refer to the prediction of the emotional consequences of decision outcomes (Gilbert et al. 1998; Maclnnis et al. 2005), in this case, to the affective consequences of giving in or not giving in to an impulse.

Though research on anticipated affect and self-control is limited, the little that exists is intriguing. Bagozzi et al. (1998) found that anticipating positive emotions (including pride, joy and satisfaction) from self-regulatory success and negative emotions (including guilt, regret and sadness) from self-regulatory failure predicted dieting intentions, plans, and dieting-related actions. Other studies have addressed the relative impact of anticipated positive emotions associated with achieving a goal (e.g., delighted, happy, proud) versus negative emotions from not achieving a goal (e.g., guilty, regretful, sad) on impulse control (Bagozzi et al. 2003; Perugini and Bagozzi 2001; Giner-Sorolla 2001).

An interesting and relevant extension to this literature concerns the impact of anticipated emotions of the same valence on self-control. As Lerner and Keltner (2001) point out, little work has been done to differentiate emotions of the same valence—and this is particularly true in the context of affective forecasting. Relevant here are negative anticipated emotions presumed to arise from the failure to control impulses and consume a hedonic product. Although Bagozzi et al. (1998, 2001) found that anticipating negative emotions like shame and guilt can facilitate impulse control, they did not assess whether each emotion can itself impact self-control. Because both are negative emotions induced from moral transgressions, one might expect that either shame or guilt can impact self-control compared to not anticipating any emotions.

H1: Compared to consumers who do not anticipate the emotions presumed to arise from a hedonic choice, those who anticipate the (a) shame or (b) guilt from hedonic consumption will be more likely to exert self-control (and less likely to choose (consume) the hedonic product).

The Differential Impact of Shame vs. Guilt on Self-Control

Lack of understanding of the potentially differential impact of shame vs. guilt on self-control is perhaps understandable because the two emotions are sometimes used interchangeably (Tangney and Dearing 2002). This lack of distinction is likely due to the fact that both are negative self-conscious emotions of self-condemnation that result in response to a moral transgression.

Notably though, cumulative empirical studies reveal that these two emotions are distinct. Shame is evoked from a perceived transgression of the ‘self’ (e.g., I am a horrible person), whereas guilt is evoked from a perceived transgression of one’s ‘behavior’ (e.g., I did that horrible thing) (Lewis 1971). Shame evokes counterfactuals of the self (“If only I weren’t”), whereas guilt evokes counterfactuals for actions (“If only I hadn’t” for guilt) (Niedenthal et al. 1994). Finally, shame induces a behavioral motivation to hide, escape, sink or disappear from others and the situation (Lewis 1971). Guilt, on the other hand, induces a behavioral motivation to restore or make amends or atone for transgressions (Wicker et al. 1983; Tangney et al. 1996).

Notably these differences between shame and guilt are with regard to an experienced emotion. We theorize that these differences between shame and guilt manifest themselves even in anticipation, differentially influencing self-control. Past research finds that shame is a more powerful and intense emotional experience than guilt (e.g., Tangney et al. 1996; Roseman et al. 1994). Shame is often associated with a stronger physiological response and is more powerful by its implication of the self as the reason for the transgression. Guilt on the other hand involves a less potent physiological response and is a result of an appraisal that implicates one’s behavior in the transgression. Furthermore, while guilt evokes the possibility of atonement for one’s wrongdoing, shame evokes no such potential, and indeed further implicates the self for one’s weakness. Hence, we predict that anticipating the accusation of the
self is more likely to keep people from transgressing than anticipating the blame of a specific behavior. Shame may also induce more self-control by virtue of the fact that it is viewed as a more public emotion, whereas guilt has been viewed as a more private affair (i.e., reaction of one’s internalized conscience to a breach of one’s personal standards) (e.g., Ausubel 1955; Benedict 1946; Gehm and Scherer 1988). By virtue of its power, lack of atonement potential, and public element, we hypothesize that:

**H2**: Consumers who anticipate shame from consuming a hedonic product will be more likely to engage in self-control (e.g., choose to forego the consumption of a hedonic product) than will consumers who anticipate guilt from consuming the hedonic product.

**Attitude toward Consuming the Hedonic Stimulus**

Notably, exerting self-control may be more or less important depending on consumers’ apriori predisposition to engage in hedonic choice. The same hedonic choice (e.g., eating chocolate cake) may be extremely appealing to some consumers and less appealing to others given apriori attitudes toward the hedonic product. Hence, an interesting extension to H1 and H2 concerns whether shame and guilt exert an equivalent impact on self-control for consumers with positive vs. neutral attitudes toward the hedonic product.

We predict that for consumers for whom neutral attitudes toward the hedonic product anticipating either shame or guilt will impact self-control. Because the consumption item induces limited attraction, anticipating either negative emotion should induce greater self-control than not anticipating these negative emotions.

**H3**: For consumers with neutral attitudes toward consuming the hedonic product, anticipating either shame or guilt from consumption will have a greater impact on self-control than will not anticipating either emotion.

However, for consumers who are most vulnerable to self-control lapses—those with a positive attitude toward consuming the hedonic product—shame may exert a greater impact on self-control than will guilt. Because attitudes are more positive, the allure of the product is greater, requiring a strong emotion like shame to induce self control. We thus hypothesize that:

**H4**: For consumers who have a positive attitude toward consuming a hedonic product, anticipating shame from consumption will have a greater impact on self-control than will anticipating guilt.

**Anticipated Happiness from Self-Control or Lack Thereof**

Self-control in the context of hedonic choice involves a trade-off between short-term vs. long-term happiness. This notion is consistent with the idea that preferences can be time inconsistent (Hoch and Lowenstein 1991; Metcalf and Mischel 1999; Giner-Sorolla 2001). Lapses in self-control bring about short-term happiness as impulses are indulged—though longer-term consequences like shame and guilt may be subsequently experienced. On the other hand, engaging in self-control often sacrifices short-term pleasures for longer-term happiness. Delaying gratification in the present can induce a larger and bigger reward—which presumably will induce greater happiness than would succumbing to short-term gratifications.

An interesting question regarding anticipated shame and guilt is whether they evoke similar effects on anticipated happiness in the short term as a consequence of giving in to impulses and engaging in hedonic consumption. Once consumers decide to commit themselves to indulge even after anticipating guilt associated with consumption, it is more likely that they justify their decision to consume with inflated anticipatory happiness. The fact that guilt implicates the transgression of the specific behavior also implies the motivational readiness to discount their transgression as a one-time, transient incident. As the term, guilty pleasure (Giner-Sorolla 2001), signifies, anticipating guilt, once committed to indulge, may inflate anticipated happiness about consuming the impulse-laden product as a (consequence of) post-decision justification.

On the other hand, since shame is a more intense emotion that arises from the appraisal of the transgression of the self (Lewis 1971), it is likely that one’s decision to indulge cannot be easily justified. Moreover, the transgression is less easily discounted as a one-time, fleeting misbehavior since it implicates the self, tarnishing one’s self-image. Therefore, we predict that consumers who anticipated shame, but still consume the hedonic product, are likely to anticipate less happiness from consumption than are consumers who anticipate guilt.

**H5**: Consumers who anticipate guilt from consuming a hedonic product will be more likely to anticipate happiness following hedonic consumption compared to consumers who anticipate shame.

**Individual Differences in Impulsivity**

Self-control is more difficult for consumers with chronic tendencies toward impulsive behavior. Consumer impulsivity has been widely regarded as an important individual difference variable in self-control (Puri 1996). The impact of shame and guilt on the effects noted above would be noteworthy if they remained robust even after controlling for individual differences in impulsivity.

**EMPIRICAL INVESTIGATION**

**Method**

H1-H5 were examined in a 3 (anticipated emotion: shame, guilt, no emotion control) X 2 (attitude toward the hedonic product: positive vs. neutral) experiment. Ninety-one participants were randomly assigned to one of the three anticipated emotion conditions. Attitude toward the hedonic product served as a measured variable.

Respondents were shown a delicious-looking chocolate cake at the start of a computer-based questionnaire and were asked to imagine that it was placed in front of them. To manipulate anticipated emotion, respondents were then told that although they wanted to reach out and take a bite of the cake, they stopped for a moment to anticipate how guilty (vs. ashamed) eating the cake would make them feel. The control condition was not given any instructions to anticipate emotions.

Respondents then completed a set of questions designed to measure how likely they were to eat the cake (1=not at all likely; 9=very likely), their anticipated happiness from eating the cake (1=not at all; 9=very much) and manipulation checks for anticipated shame and guilt (1=not at all; 9=very much). Individual differences in attitudes toward eating chocolate cake were also measured using a 3-item 9-point scale (favorable, positive, good; Cronbach’s α=.92). The three items were averaged to yield a scale of attitude toward eating cake. A median split divided participants into positive vs. neutral attitude conditions (Median=6.33; M=7.99 for positive and M=4.38 for neutral). To control for individual differences in consumer impulsivity, a scale adapted from Puri (1996) was used as a covariate in the results presented below.
Results

Manipulation Check. The results confirmed that participants in the experimental conditions anticipated the emotions they were instructed to anticipate (M's=4.58 and 4.61 for anticipated guilt and shame respectively) in the context of eating the cake.

Choice Likelihood. A 3 (anticipated emotion) X 2 (attitude) ANCOVA on the choice likelihood as the dependent variable and consumer impulsivity as a covariate revealed a significant main effect for anticipated emotion (F(2, 84)=4.77, p<.05) and a significant main effect for prior attitudes toward cake (F(1, 84)=18.50, p<.001). As expected, the main effect of attitudes showed that consumers who had positive attitudes toward eating cake were more likely to choose it (and forego impulse control; M=6.93) compared to consumers who had a neutral attitude toward consuming the hedonic product (M=4.65). The main effect for anticipated emotion showed that anticipating shame (M= 4.66) resulted in greater self-control than anticipating either guilt (M= 6.04) or the control condition (M= 6.68). These results support H1a and H2.

However, we observed no support for H1b. Consumers who anticipated guilt did not show greater self-control (M= 6.04) than consumers in the no emotion control condition (M= 6.68).

Post-hoc contrasts showed that for consumers with neutral attitudes toward the hedonic product showed reduced choice likelihood when they anticipated guilt (M=4.55) or shame (M=3.62) compared to consumers in the no emotion control condition (M= 5.78). These results support H3.

The results also support H4. For consumers with positive attitudes toward consuming the hedonic product, anticipating shame had a greater impact on self-control (M= 5.7) than did anticipating guilt (M= 7.53) or not anticipating emotion (M= 7.57).

Collectively, these results suggest that while anticipating shame has a consistently positive effect on self-control, the anticipation of guilt impacts self-control only for consumers who have a neutral attitude toward the hedonic product and are thus less predisposed to making an impulsive choice.

Predicted Happiness. Respondents who experienced a lapse in self-control and decided to choose the cake were asked to predict how happy they would be after eating the cake. A 3 (anticipated emotion) X 2 (attitude toward eating chocolate cake) ANCOVA with consumer impulsivity as a covariate revealed a significant main effect for anticipated emotions (F(2, 48)=4.29, p<.05) and a significant main effect for prior attitudes toward cake (F(1, 84)=7.55, p<.01). The results were replicated in a regression analysis which used a continuous measure of attitudes (vs. a median split).

The main effect of anticipated emotions showed that consumers who anticipated guilt anticipated feelings significantly happier (M=7.34) after consuming the cake than consumers who anticipated shame (M=5.86) or control consumers (M=6.36). These effects support H5. The main effect of prior attitudes toward cake showed that consumers who held a positive attitude toward cake (M=7.13) anticipated feeling happier following hedonic consumption than consumers who held a neutral attitude toward cake (M=5.91).

Post-hoc contrasts shown in Figure 2 revealed several interesting effects. First, consumers who anticipated guilt from consumption also anticipated greater happiness from consumption than did consumers who anticipated shame—regardless of their prior attitudes toward cake. Second, for consumers with neutral attitudes toward cake anticipating guilt led to higher anticipated happiness from consumption than did not anticipating any emotion. Third, and most interestingly, even consumers who were not favorably disposed toward the hedonic product but who anticipated guilt showed just as much anticipated happiness from consumption as those who were favorably disposed toward the product. The fact that both consumers with favorable and neutral attitudes toward cake anticipated equivalent levels of post-consumption happiness from hedonic consumption suggests a potential association between guilt and pleasure (Giner-Sorolla 2001). The results are also consistent with the recent finding that showed the association between the concepts of “unhealthy” and “tasty” operates on an implicit level (Raghunathan et al. 2006).

FIGURE 1
The effect of anticipated emotion and attitude toward consuming the hedonic product on choice likelihood

a,b,c Means with different superscripts are different at p <.05.
DISCUSSION

Although prior research suggests that anticipating the emotions that might result from consumption impacts choice of hedonic products, our results extend this research by suggesting that two negative emotions of the same valence (shame vs. guilt) have different effects on both self-control and anticipated happiness from self-control failures.

We find that compared to conditions where consumers do not anticipate emotions from choice, those who anticipate shame are significantly less likely to make a hedonic choice (and hence are significantly more likely to engage in self-control). The impact of anticipated guilt on self-control, however, appears to depend on whether consumers have positive or neutral attitudes toward the hedonic product. Anticipating guilt seems to facilitate self-control, but only for those consumers who need it least—those who have neutral attitudes toward the hedonic product. For those who are pro-attitudinally inclined toward the hedonic product, anticipating guilt has no effect on self-control.

From the standpoint of happiness from consumption, we find that for consumers who chose to engage in hedonic consumption anticipated happiness with this decision varied as a function of both anticipated shame/guilt and attitudes. Consumers felt least happy with their decision to engage in hedonic consumption when they had a neutral attitude toward the hedonic product and anticipated feeling shame. Consumers who anticipated feeling guilty anticipated they would feel just as happy as consumers who did not anticipate any negative emotions when their attitudes toward the hedonic product were positive, and anticipated feeling even happier than those who did not anticipate any negative emotions when their attitudes were neutral. Therefore, anticipating guilt does not appear to deter anticipated happiness from choice for those who chose to engage in consumption.

The results provide an opportunity to revisit the conceptual distinction between experienced and anticipated emotions. We should note that affective forecasting is distinct from experienced affect. Anticipated emotions are cognitions about how one is likely to feel in the future. A rather constructive consequence of experienced guilt (e.g., motivation to undo the error) may exert less influence when anticipated. In the same way, shame can exert a more powerful influence when anticipated than when experienced in the context of self-control. Anticipating negative consequences of shame such as passivity and desire to escape and hide can serve as a more powerful means to regulate impulses. We weigh the emotional consequences of the events and direct our motivation and behavior in line with our affective prediction.

Interestingly, while shame is a far more intense negative emotion than guilt, anticipating future feelings of shame could potentially decrease the likelihood of experiencing future negative feelings by increasing self-control. Notably though, one wonders about the effects of anticipating shame on outcomes like depression or self-hatred when hedonic choice is rendered despite anticipated shame. In this sense, anticipating shame from consumption may make consumers more vulnerable to negative feelings and self-hatred.

Another limitation concerns the fact that we did not assess how much guilt or shame consumers in the control condition anticipated. It is possible that consumers in this condition naturally anticipated guilt (or shame). This might explain lack of difference in results between the control and the anticipated guilt conditions.

The results of our study provide several opportunities for extension. Anthropologist Ruth Benedict (1946) classifies cultures according to whether they use shame or guilt to regulate the social activities of their members. She posits that some Asian cultures are considered shame cultures whereas European and modern American cultures are considered to be guilt cultures. Future research might investigate cross-cultural differences anticipating shame vs. guilt has on self-control.

The results of our study, while intriguing, are limited by virtue of the fact that self-control was assessed in terms of self-reports of choice likelihood. A stronger test would examine whether the effects we observe here are observed in the context of actual choice. On the other hand, these results were obtained even though a
relatively non-powerful inducement—a photo of a chocolate cake (as opposed to an actual real-life temptation) was used as the stimulus (see Shiv and Fedorikhin 1999). Future research might examine the impact of anticipated shame and guilt in the context of real stimuli and actual choices. By comparing respondents’ behavioral responses of the current study with those using actual stimuli, we can tell how far off people can predict the behavior as a result of anticipated shame vs. guilt. Another interesting extension concerns the long-term impact of anticipated shame vs. guilt on self-control. Prior studies showed that self-regulatory strength can in fact be “worn out” like a muscle when mental efforts are prolonged (e.g., Muraven and Baumeister 2000; Schmeichel and Baumeister 2004). Considering that shame is a more powerful and intense emotion than guilt, anticipating shame over time may wear consumer’s self-regulatory resources out more easily than anticipating guilt. One wonders whether a greater self-control ability induced by anticipating shame in the short-term can be extended to the long-term. Anticipating shame may make one more vulnerable to relapse over the long term due to its intense mental efforts. The future research should examine the long-term impact of anticipated shame and guilt.

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Building Customer Relationships: A Comparison Across Multiple Service Encounters
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ABSTRACT

The purpose of this study is to investigate the impacts of relational bonds on customer loyalty in various service encounters. Data were obtained from a sample of 621 Taiwanese customers in the securities industry. The findings are threefold. First, financial bonds have little impact on customer loyalty, social bonds create an intermediate impact on customer loyalty, and structural bonds have the greatest impact on customer loyalty. Second, social bonds influence customer loyalty more in person-to-person encounters than in interactive voice response systems or Internet encounters. Third, structural bonds affect customer loyalty more on the Internet than in person-to-person or interactive voice response system situations.

INTRODUCTION

Relationship marketing has emerged as a critical tool in the current marketing climate, where managers must seek new ways to create sustainable competitive advantage (Dibb and Meadows 2001). By emphasizing a focus on the ways that companies can build, develop, and maintain successful relational exchanges, relationship marketing represents an important means to build customer loyalty to an organization (Morris et al. 1999). Recently, a body of research surfaced that attempts to discern the types of bonds that enhance relationship marketing (e.g., Berry 1995; Peltier and Westfall 2000; Williams et al. 1998). These bonds have been categorized as financial (e.g., price incentives), social (e.g., interpersonal relationships), and structural (e.g., services that are designed into the system). However, despite the increasing importance of relationship marketing, the effects of these three relational bonds on customer loyalty have not been sufficiently studied empirically.

Service encounters, defined as the moment of interaction between a customer and a firm, are increasingly critical in all industries and may take place in an actual service setting, over the telephone, through the mail, or over the Internet (Bitner et al. 2000). Prior studies have recognized the importance of service encounters in creating and maintaining good relationships between service firms and their customers (e.g., Haring and Mattsson 1999). As customers and businesses interact over time, the opportunity rises for this aggregation of encounters to transform into an exchange relationship (Morgan and Chatha 1993).

Although it is increasingly evident that technological advances will continue to be critical components of customer-firm interactions, little is known about how interactions with such technological options affect customer evaluations and behavior (Meuter et al. 2000). In different service encounters, the ways that customers interact with a business may also differ. For example, customers must personally visit some service facilities and engage in interactions with employees for person-to-person encounters. Therefore, developing buyer-seller relationships through interpersonal interactions or friendships between customers and employees may be more useful for these customers. However, for Internet encounters, customers can easily access high-quality information from the Web site (Detlor 2003). Using a service-delivery system, rather than relying on the relationship-building skills of individual service providers, allows firms to customize their offerings and may also give customers greater satisfaction. Accordingly, to produce results that can be interpreted at a theoretical level, investigations must encompass a range of interfaces and consider the effectiveness of customer relationships in different encounters. In this study, we attempt to determine whether the impacts of relational bonds on customer loyalty differ for customers in person-to-person, interactive voice response system, and Internet encounters.

THEORETICAL ISSUES

Customer Loyalty

In Oliver’s (1999, p. 34) study, loyalty is defined as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future.” Customer loyalty is considered one of the several means by which a firm can build a sustainable competitive advantage. Loyalty plays an important role in influencing consumers’ repeat purchases (Jacoby and Kyner 1973) and creating substantial income for companies (Jones and Farquhar 2003). From a business perspective, structuring consumer retention mechanisms to enhance profits has become more important than ever.

Relational Bonds

Previous literature has indicated that a customer retention strategy can focus on three types of bonds: financial, social, and structural (Berry 1995). Subsequent studies, including Berry (1995), Peltier and Westfall (2000), and Williams et al. (1998), have adopted this typology to discuss the effects of such bonds.

Researchers have argued that one motivation for customers to engage in relational exchanges is money savings (e.g., Berry 1995; Gwinner et al. 1998). However, although financial bonds seem useful in securing customer loyalty, some researchers have suggested that these bonds belong at the lowest level of the relationship hierarchy because price is the most easily imitated element (e.g., Peltier and Westfall 2000; Zeithaml and Bitner 2003).

Social bonds are defined as personal ties pertaining to service dimensions that include interpersonal interaction, relationship building (Wilson 1995), and identifications (Turner 1970). From the customer perspective, a social bonding strategy benefits them significantly through strong service relationships (Gwinner et al. 1998). These social bonds positively influence customers’ emotions or feelings associated with the service experience and contribute to the formation of the affective component of attitude, all of which are salient aspects of intimate, high-quality relationships (Thorbjørnsen et al. 2002). Therefore, though social bonds alone may not bind a customer permanently to a company, they will ultimately prove more difficult for competitors to imitate (Zeithaml and Bitner 2003). Some researchers (e.g., Berry 1995; Peltier and Westfall 2000) in turn suggest that social bonds sit at the intermediate level in the relationship hierarchy and help companies protect against competitive pricing pressures.

Finally, Berry (1995, p. 241) suggests that marketers practice relationship marketing, which depends on structural bonds when “the solution to the customer’s problem is designed into the service-delivery system.” The structural bonds “offer target customers value-adding benefits that are difficult or expensive for customers to provide and that are not readily available elsewhere.” (Berry
1995, p. 240). From the industrial marketing perspective, Turnbull and Wilson (1989, p. 233) argue that effective structural bonds “create value to the customer and either require investment by the buyer that cannot be salvaged if the relationship ends or may be expensive if the buyer must supply this service themselves if they change sources.” Accordingly, structural bonds refer to the value-adding services that are contained in the service-delivery system, including knowledge and information about the industry and product customization; that are not readily available elsewhere; and that are expensive for customers to supply if they terminate the relationship.

In addition, because customers regard the provision of information, knowledge, and goods/services by the business and their participation in this provision as a mutual relationship investment and adaptation, these valuable services forge customer loyalty by creating a psychological barrier to terminating the relationship (Wilson 1995). In turn, some studies suggest that structural bonds belong in the highest level of the hierarchy of relational bonds (Peltier and Westfall 2000). Accordingly, we propose that:

- **H1**: The positive impact of social bonds on customer loyalty will be greater than that of financial bonds.
- **H1a**: The positive impact of structural bonds on customer loyalty will be greater than that of financial bonds.
- **H1b**: The positive impact of structural bonds on customer loyalty will be greater than that of social bonds.

### The Role of the Type of Service Encounter

Prior studies have demonstrated the importance of service encounters to businesses. For example, encounters affect critical outcomes such as customers’ intention to repurchase, relationship quality, and loyalty (Bitner et al. 2000). A service encounter, defined as a period of time during which customers interact directly with a service (Lovelock 2001), may take place in an actual service setting, over the telephone, through the mail, or even over the Internet (Bitner et al. 2000).

Prior research about service encounters focused on person-to-person encounters or interpersonal interactions (Morgan and Chadha 1993). However, to reduce costs and improve customers’ convenience, many companies have redesigned their customer flows. Instead of encouraging situations where customers deal with the company representative in a person-to-person setting, these companies encourage lower contact levels where customers have remote contact with company representatives (Lovelock 2001). Accordingly, recent research has investigated person-to-machine encounters (e.g., Bitner et al. 2000; Meuter et al. 2000).

In all of these settings, the same three types of bonds may apply to the company’s attempts to retain its long-term customer relationships. Because financial bonds are easily imitated and do not offer any differences with competitors in the long run (Peltier and Westfall 2000), we omit any discussion of their effects on customer loyalty across service encounters.

Social bonds, however, may affect customers in these types of encounters (i.e., person-to-person, interactive voice response system, and Internet) differently. In person-to-machine encounters, customers obtain services primarily through self-service technologies, which, according to Sauer and Burton (1999), are hard-to-reproduce social elements. In Donthu and García’s (1999) study, they reveal that Internet shoppers’ socioeconomic, motivational, and attitudinal characteristics differ from those of non-Internet shoppers; furthermore, decreased pressure from salespeople contributes to why consumers make online purchases (GUV 1997). In this context, interactive voice response systems are easily accessible and provide timely information, but they seldom offer interpersonal interaction or friendship elements to customers. Similarly, in a virtual environment, though the interactivity of the Internet can initiate a two-way conversation, online shoppers are hampered by the lack of personal contact inherent in remote transactions (Croft 1998). In summary, though e-retailers may build social bonds with individual customers through personalized e-mails or customer-to-customer interactions and friendships (Zeithaml and Bitner 2003), many consumers may still prefer the social component of a service encounter.

Because repeated interactions between customers and service suppliers help customers assess the service firm’s credibility and benevolence (Donney and Cannon 1997), more interactions may lead to an emotional attachment through the customer’s developing a sense of mutual trustworthiness. Therefore, social bonds that stress interpersonal interactions may be more useful for customers in person-to-person encounters than in person-to-machine encounters. In turn, we posit that:

- **H2**: The effect of social bonds on customer loyalty is moderated by the types of customers in the service encounter, such that the effect is greater for customers of person-to-person encounters than for those of Internet and interactive voice response encounters.

Finally, structural bonds also may affect customers of the three types of encounters differently. The development of electronic technologies has dramatically reduced the time and cost of information exchange, effectively linked processes, and enabled close integration of different parties in the value chain (Tang et al. 2001). Through the Internet, customers may receive personalized services (Wilson 1995). By building fast, well-structured hyperlinks with Web sites of strategic partners, businesses can also provide more integrated services to their customers, which may lead to improved customer loyalty.

In addition, online customers generally want to access product specifications, usage instructions, warranty information, and lists of products on sale (Burke 2002). They also want to be able to receive an e-mail message confirming that the order was received and shipped, and then track their shipment on the Web.

Compared to an Internet encounter, salespersons offer some similar benefits as they visit customers regularly to provide product information and resolve customer concerns, particularly in industries like financial services. From the customer’s perspective, however, structural bonds developed through salespeople are probably less timely and less convenient than Internet encounters. Similarly, though interactive voice response systems are easily accessible and provide timely information, they are not customized for each customer and are therefore likely to offer a weaker structural bond. Accordingly, we propose that the impact of structural bonds on customer loyalty is lower for customers in person-to-person encounters and interactive voice response systems than for those in Internet encounters. In turn, we posit that:

- **H3**: The effect of structural bonds on customer loyalty is moderated by the type of customers in service encounter, such that the effect is greater for customers of the Internet encounter than those of person-to-person and interactive voice response encounters.

### METHODOLOGY

#### Sample

To examine H1–H3, we conducted a field study in the securities industry in Taiwan. Questionnaires were distributed to one
thousand securities customers who experienced person-to-person, interactive voice response systems, and Internet encounters. To recruit respondents we used customer lists obtained from sponsor securities companies and employees of high-tech or service industries with experience in stock exchanges. A total of 621 responses were gathered, which represents a response rate of 62.1%. T-test results reveal there are no significant differences across these demographics between these two samples. Each respondent was asked to select one of the three encounters he or she confronted most frequently. Then the respondent selected one security company in the context of this type of encounter that he or she had patronized previously to purchase the good/service. Finally, the respondent indicated his or her perceptions of the company.

According to the received questionnaires, the sample of respondents consists of approximately the same percentage of women and men (50.1% and 49.9%, respectively), who range in age from 15 to 60 years. The sample sizes for the three types of encounters were as follows: 387 person-to-person encounters, 116 interactive voice response system encounters, and 118 Internet encounters.

Measures

We conducted three separate in-depth interviews with two entry-level managers in the securities industry to determine how they implemented their relationship strategies. From these investigations, we identified 20 measurement items that we categorized as financial (4 items such as “The company provides cumulative points programs” and “The company offers more rebates if I trade beyond a certain amount.”), social (7 items such as “The company is concerned with my needs,” “Service providers help resolve my problem even if it is not related to the business,” and “The company sends me greeting cards or gifts on special days.”), or structural (9 items such as “The company suggests suitable investment options according to my records and assets,” “The company integrates services from other sources to solve my problem,” and “The company provides professional knowledge in the financial area.”). Each item was scored on a seven-point Likert scale (1=strongly disagree; 7=strongly agree).

We refined the instrument through a pilot test. We applied an item-to-total correlation analysis to find any items that needed to be dropped at this stage, but because we could not improve any alpha coefficients in the financial, social, or structural dimensions by deleting any items, we did not remove any.

The loyalty construct often is gauged by the relative attitude that a consumer has toward a company and his or her intention to purchase again from the same company (e.g., Jones and Farquhar 2003; Peltier and Westfall 2000). To measure the dependent variable of customer loyalty, we adopted three indicators in accordance with the literature: “I am willing to repurchase” (Peltier and Westfall 2000), “I am willing to purchase other products or services from this firm” (Sirohi et al. 1998), and “I am willing to recommend this firm to others” (Peltier and Westfall 2000). Again, respondents used a seven-point scale to respond to these items.

DATA ANALYSIS

Reliability and Construct Validity

To investigate the reliability of the scale, we computed the Cronbach’s alphas for the financial, social, and structural bonds as .85, .93, and .94, respectively. For the dependent variable of customer loyalty, the coefficient alpha was .83. These values suggest reasonable internal consistency.

To test the construct validity of the three relational bonds, we conducted a confirmatory factor analysis (CFA) using LISREL. Although the χ² values of the CFA models of the three relational bonds were 408 (d.f.=167, p<.05), the χ²/d.f., CFI, GFI, SRMR, and RMSEA were 2.4, .87, .86, .05, and .06, respectively. These latter values suggest an adequate fit of the model to the data.

Furthermore, convergent and discriminant validity should be examined for construct validity, which is supported when the average variance extracted (AVE) between the constructs and their measures is greater than .50 (Fornell and Larcker 1981) and the loading on the hypothesized construct is significant. Here, the AVEs for the financial, social, and structural factors were .59, .64, and .68, respectively, and the factor loadings were all significant at p<.05. Thus, convergent validity is supported. The AVE value also can be used to assess discriminant validity (Fornell and Larcker 1981); discriminant validity is supported if the AVE for each factor and its measures is greater than the square of the estimated correlation between factors. Discrimination was evident in this study because the largest shared variance among the three factors (.46) was less than the lowest AVE value for each factor and its measures (.59).

Relationship between Relational Bonds and Customer Loyalty

To investigate the impacts of the three relational bonds on customer loyalty, we calculated composite scores for each bond by summing its measurement items. These composite (or simple factor) scores often are highly correlated with factor scores obtained by the more complex least squares and regression methods (Johnson and Wichern 1992). In addition, the variance inflation factors (VIF) values were much below the threshold of 10. Therefore, the effects of multicollinearity can be ignored in this study. We then conducted a regression using customer loyalty as a dependent variable and the three relational bonds as predictors. The results indicate that the structural bond and the social bond significantly influence customer loyalty (β=.50 and .18, p<.05), whereas the financial bond has an insignificant impact on customer loyalty (β=.05, p>.05). Therefore, H1 is supported.

To further investigate whether the unstandardized regression coefficients of structural bonds and social bonds (which were significantly greater than 0) can be treated as equal, we conducted a t-test. The results indicate that the coefficient of the structural bonds is significantly larger than that of the social bonds (t=3.81, p<.05), in support of H1b. As we have already discussed, the insignificant financial bond effect may reflect the ease with which competitors can imitate a financial bond strategy (Berry 1995). Virtually every securities company provides financial bonds to its customers, which decreases their effectiveness. In addition, we find that structural bonds are the most effective in enhancing customer loyalty, in line with Berry’s (1995) suggestion that structural bonds create strong foundations for customer relationships.

Furthermore, to examine the moderating effects of the service encounters, we tested H2–H3 through hierarchical regression analyses, with customer loyalty as the dependent variable and a specific relational bond as the predictor. We employed hierarchical regression analyses in which we mean centered all the variables to reduce the risk of multicollinearity. If there is a significant change in R² when the interaction between a relational bond and the encounter is added, moderation is supported (Arnold 1982). In this study, because our service encounter variable has three levels (i.e., person-to-person, interactive voice response system, and Internet), we code two dummy variables that provide qualitative information.

In table 1, we report a series of hierarchical models for H2–H3. Moderation is supported for social (ΔR²=.012, p<.05) and structural (ΔR²=.01, p<.05) bonds; moderation is not supported for financial bonds (ΔR²=.002, p>.05).

To further investigate whether a specific relational bond has a differential impact on loyalty for a specific encounter, we tested...
three separate regression models with customer loyalty as the dependent variable and each type of relational bond as the predictor for three different encounters. To avoid the issues related to high levels of multicollinearity among independent variables, which make it difficult to draw inferences about regression estimates, we determined whether the data fit the condition of multicollinearity prior to the regression. The variance inflation factors values ranged from 1.52 to 2.29 and thus are below the suggested threshold of 10. Therefore, the effects of multicollinearity can be ignored in this study.

Table 2 also indicates the relationships between the three relational bonds and customer loyalty during different encounters. The social bond has a significantly positive impact on customer loyalty only in person-to-person encounters (β=.26, p<.05), in support of H2. The structural bond has the greatest impact on customer loyalty in Internet encounters (β=.63, p<.05). To investigate the significance of H3, we also compare the unstandardized regression coefficients between structural bonds and customer loyalty across service encounters (Arnold 1982). The results indicate that the impact of structural bonds on loyalty is significantly higher in Internet than in person-to-person (p<.05) or interactive voice response system (p<.05) encounters in one-tailed tests. H3 is therefore supported. Because the Internet provides an inexpensive means to search, organize, and disseminate complete, relevant, timely, up-to-date, and accessible information, it may be more effective for companies to deliver structural bonds to customers through Internet encounters.

DISCUSSION

Service encounters constitute critical moments of truth where a firm leaves an indelible impression on the customer (Bitner et al. 2000). Recently, because growing numbers of customers are interacting with self-service technologies rather than employees to create service outcomes, Meuter et al. (2000) suggested that research should compare the underlying differences in how customers respond to telephone- versus Internet-based self-service technologies. We responded to this suggestion by investigating the impacts of the three relational bonds on loyalty for customers in different types of encounters.

The empirical results indicate that financial bonds have no significant impact on loyalty for customers in any type of encounter. Social bonds, however, have a significantly positive impact on customer loyalty, but only in person-to-person encounters. Finally, structural bonds are effective in gaining customer loyalty in every type of encounter, though they are more useful in Internet situations than in other types of encounters. This finding suggests that e-tailers should leverage structural bonds to strengthen their customers' loyalty.

Managerial Implications

Loyal customers buy more, are willing to spend more, are easier to reach, and act as enthusiastic advocates for firms (Harris and Goode 2004). The results of this study therefore provide some key strategic implications for managers, especially those in the securities industry, who seek to build customer loyalty.

Identify the nature of the bonds between consumers and businesses. When there is effectively none or little difference between suppliers, customer switching is very possible because one service or supplier is essentially equivalent to another (Turnbull and Wilson 1989). If, as recent research argued, the main purpose of managing customers is to improve long-term profitability, businesses must identify their most profitable customers and strengthen those relationships through relational bonds. Therefore, understanding the key factors that bond customers to firms is important for

### TABLE 1
RESULTS OF HIERARCHICAL REGRESSION ANALYSES

<table>
<thead>
<tr>
<th>Step</th>
<th>Independent Variable</th>
<th>Total R²</th>
<th>ΔR²</th>
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<tr>
<td>1</td>
<td>Financial bond and service encounters</td>
<td>.109*</td>
<td>.109*</td>
</tr>
<tr>
<td>2</td>
<td>With financial bond x service encounters</td>
<td>.111</td>
<td>.002</td>
</tr>
<tr>
<td>1</td>
<td>Social bond and service encounters</td>
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</tr>
<tr>
<td>2</td>
<td>With structural bond x service encounters</td>
<td>.390</td>
<td>.010*</td>
</tr>
</tbody>
</table>

*p<.05.

### TABLE 2
RESULTS OF STANDARDIZED REGRESSION COEFFICIENTS

<table>
<thead>
<tr>
<th>Types of Encounters Variables</th>
<th>Overall Sample</th>
<th>Person-to-Person Encounter</th>
<th>Interactive Voice Response System</th>
<th>Internet Encounter</th>
</tr>
</thead>
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<tr>
<td>Independent variables</td>
<td></td>
<td></td>
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<td>Financial bonds</td>
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<td>Social bonds</td>
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<td>.26**</td>
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<td>Structural bonds</td>
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<td>.44**</td>
<td>.63**</td>
</tr>
<tr>
<td>R²</td>
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<td>82.34**</td>
<td>61.65**</td>
<td>7.01**</td>
<td>19.42**</td>
</tr>
</tbody>
</table>

**p<.05.
customer loyalty efforts and, in turn, for businesses’ profit. Managers and employees must be aware of the three types of relationship strategies to enhance customer loyalty. According to the results of this study, structural bonds are the most effective and financial bonds are the least effective ways to enhance customer loyalty overall.

**Differentiate relational bonds in service encounters.** Traditionally, research about service encounters has focused on person-to-person encounters. However, to reduce costs and achieve greater customer convenience, many companies have turned to person-to-machine encounters. The results of our study indicate that customers in person-to-person encounters find both social and structural bonds useful; however, the structural bond is the most effective for those in the Internet encounters. According to Garvin (1987), managers tend to employ only a few strategies in their drive to compete with other companies, so these findings should help companies identify attributes that they should prioritize in their encounters with their customers.

**Develop marketing investment and training programs that lead to customer loyalty in different encounters.** The careful development of a relationship investment strategy makes a company more venerable to attack from competitors (Turnbull and Wilson 1989), but careful allocation of the marketing budget can be planned according to the results of this study. For example, a business might use the measurement items developed in this research to benchmark its relationship activities with those of competitors and identify comparative strengths and weaknesses from a customer standpoint. The company then could develop a bonding strategy based on the customers that appear in each type of encounter. For example, customers in person-to-person encounters place a great deal of importance on personal ties, so the company should invest more to develop personal ties with this group. However, for customers in an Internet situation, value-added services should constitute the primary investments the company uses to manage its customer relationships. The business might focus on building technologies that record customer preferences and then provide detailed information and customized services to them.

**Future Research Directions**

Additional research might take some of the following directions. First, further research might study the problems of cross-channels in different buying stages. To enhance customer loyalty, firms likely use a combination of relational bonds at different customer decision stages. For example, customers may use the Internet to search for information but eventually make the purchase from local brick-and-mortar stores. Alternatively, a salesperson might send an e-mail to a customer to provide relevant information before his or her visit to the store, or Web sites might offer contact information for service/sales personnel, which interested customers can use. Therefore, research should investigate the effects of a combination of relational bonds and service encounters at different buying stages.

Second, some studies have suggested that organizations should analyze the position of their customers according to a continuum of transactional to collaborative exchanges and then apply transactional or relational marketing to those customers on the basis of their orientation (e.g., Garbarino and Johnson 1999). Therefore, further research might examine the relationship between the three relational bonds and customer loyalty for low versus high relational customers. For example, might social bonds be more effective in developing customer loyalty than using structural bonds for newer customers?

Third and finally, Hofstede (1980) proposes four dimensions of culture: power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity. The primary characteristic of Chinese culture appears to be a more collectivistic orientation, whereas North American culture is typically characterized as individualistic (Hofstede, 1980; Williams et al. 1998). According to Williams et al. (1998), structural bonds have a greater influence on customer commitment in individualistic countries than in collectivistic countries, whereas social bonds are more significant for collectivistic countries than for individualistic countries. Although this article sheds light on how different types of relational bonds affect customer loyalty in the Taiwan securities industry, additional research should also examine the generalizability of our results to other countries—possibly those considered more individualistic—and compare the results with this study.

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Switching Barriers in the Four-Stage Loyalty Model
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ABSTRACT

Oliver (1997) suggests a four-stage loyalty model proposing that loyalty consists of belief, affect, intentions, and action. Although this model has recently been subject to empirical examination, the issue of moderator variables has been largely neglected. This article fills that void by analyzing the moderating effects of switching barriers, using a sample of 589 customers of a large do-it-yourself (DIY) retailer. The results suggest that these moderators exert an influence on the development of the different stages of the loyalty sequence. Specifically, switching costs, social benefits, and the attractiveness of alternatives are found to be important moderators of the links in the four-stage loyalty model.

CONCEPTUAL FRAMEWORK

Until the 1970’s, loyalty was understood as repeat purchase behavior, primarily considering repeat purchase cycles (Bass 1974). Following that, a behavioral approach toward explaining purchase patterns emerged. Among the first proponents of such a behavioral approach was Jacoby (1973, 1978). Loyalty was defined as a biased (nonrandom) repeat purchase of a specific brand (from a set of alternatives) over time by a consumer, using a deliberate evaluation process (Jacoby and Kyner 1973). Later, Jacoby and Chestnut (1978) note that the belief, affect, and intention structure of a consumer must be examined in order to analyze loyalty.

Despite these seminal works, there is still no universal agreement on the definition of loyalty (Dick and Basu 1994; Jacoby and Chestnut 1978; Oliver 1999; Uncles, Dowling, and Hammond 2003). According to Uncles et al. (2003), three popular conceptualizations of loyalty exist: loyalty as an attitude that leads to a relationship with the brand; loyalty expressed mainly in terms of revealed behavior; and buying moderated by the individual’s characteristics, circumstances, and/or the purchase situation.

We use Oliver’s (1997) definition, because it includes both attitudinal and behavioral aspects of loyalty. Oliver (1997) defines loyalty as a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behavior. He introduces a four-stage loyalty model, implying that different aspects of loyalty do not emerge simultaneously, but rather consecutively over time (Oliver 1999). More than a clarification, this model extends the loyalty sequence “cognitive-affective-conative” by including an observable behavior, for example actual purchase behavior. At each loyalty stage, different factors influencing loyalty can be detected.

Cognitive Loyalty

At this stage, consumer loyalty is determined by information relating to the offering, such as price, quality, and so forth. It is the weakest type of loyalty, since it is directed at costs and benefits of an offering and not at the brand itself. Therefore, consumers are likely to switch once they perceive alternative offerings as being superior with respect to the cost-benefit ratio (Kalyanaram and Little 1994; Sivakumar and Raj 1997). Cognitive loyalty is influenced largely by the consumer’s evaluative response to an experience, in particular to the perceived performance of an offering relative to price (= value).

Affective Loyalty

Affective loyalty relates to a favorable attitude towards a specific brand. Attitude itself is a function of cognition (e.g., expectation). Satisfaction is a global affect evaluation or feeling state which can be predicted from perceived performance as the cognitive component of the evaluation (Oliver 1993; Phillips and Baumgartner 2002; Westbrook and Oliver 1991). Expectancy confirmation leads to satisfaction, which in turn effectuates affec-
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Tive loyalty (Bitner 1990). Oliver (1997) defines satisfaction as “the consumer’s fulfillment response, the degree to which the level of fulfillment is pleasant or unpleasant.” Affective loyalty is also subject to deterioration, caused primarily by an increased attractiveness of competitive offerings (Sambandam and Lord 1995) and an enhanced liking for competing brands. This can be, for instance, conveyed through imagery and association used in competitive communications (Oliver 1999).

Conative Loyalty

Conative loyalty implies that attitudinal loyalty must be accompanied by a desire to intend an action, for example repurchase a particular brand. It is stronger than affective loyalty, but has vulnerabilities as well. Repeated delivery failures are a particularly strong factor in diminishing conative loyalty. Customers are more likely to try alternative offerings if they experience frequent service failures. Even though the consumer is conatively loyal, he has not developed the resolve to avoid considering alternative offerings (Oliver 1999).

Action Loyalty

Action control studies imply that not all intentions are transformed into action (Kuhl and Beckmann 1985). The three previous loyalty states may result in a readiness to act (in this case, to buy). This readiness is accompanied by the consumer’s willingness to search for the favorite offering despite considerable effort necessary to do so. Competitive offerings are not considered as alternatives.

Despite the many attempts to consider selected links between different loyalty phases, relatively little empirical research has been conducted on testing the total four-stage loyalty model. Our study tries to fill that void by empirically testing Oliver’s (1997) loyalty model and possible moderators affecting the links between the loyalty phases in a retail setting.

SWITCHING BARRIERS AND CUSTOMER LOYALTY

In the last decade, a substantial body of research has been conducted to investigate moderating variables influencing the formation of customer loyalty (Bloemer and Kasper 1995; Homburg and Giering 2001; Homburg, Giering, and Menon 2003). In this context, some studies focus explicitly on the moderating effects of switching barriers (Bell, Auh, and Smalley 2005; Jones, Mothersbaugh, and Beatty 2000; Lam et al. 2004). Switching barriers are defined as “any factor, which makes it more difficult or costly for consumers to change providers” (Jones et al. 2000). In line with the literature (Caruana 2003; Jones et al. 2000), we examine the following switching barriers: social benefits, attractiveness of alternatives, and perceived switching costs.

Social Benefits

Customers build interpersonal relationships with service personnel. These bonds between the customers and the firm result in the former receiving social benefits (Berry and Parasuraman 1991). The same interactions can lead consumers to develop strong personal relationships with the company (Grönroos 1990; Parasuraman, Zeithaml, and Berry 1985) and bind customers (Bateson and Hoffman 1999). As interactions between provider employees and customers are repeated over time, the motivation for the development of a social aspect to the relationship necessarily increases (Czepiel, Solomon, and Suprenant 1985). In addition, the more customers rely on the personnel, and the more trust the customers develop, the less risky customers perceive variations in quality. Therefore the customers will not seek alternatives to their current provider, even if quality varies. Hence, consumers with higher social bonds rely more on past experiences with a particular retailer as a key information cue. Since it is riskier to switch a provider and to try something new, customers with lower social bonds should be less likely to remain affectively loyal if their satisfaction levels change. Empirical evidence in the context of loyalty shows that social benefits moderate the relationship between various aspects of satisfaction and selected measures of loyalty. For instance, Jones et al. (2000) found that the relationship between satisfaction and repurchase behavior is moderated by social benefits. Similarly, Crosby, Evans, and Cowles (1990) offer some support for such a moderating effect. They were able to demonstrate that the quality of the relationship between salesperson and the customer determines the probability of continued interchange. Holloway (2003) discusses social bonds as switching barriers, which especially influence the relationship between the perception of service quality and satisfaction. Based on these findings, a moderating effect of social benefits on the four-stage loyalty model can be assumed.

H1: As perceived social benefits increase, the link between cognitive and affective loyalty will become stronger.

Attractiveness of Alternatives

Depending on the quality of competing alternatives, the customer perceives a benefit in changing the provider (Oliver 1997). The more attractive the alternatives are, the higher the perceived benefits when switching (Jones et al. 2000). Therefore, consumers are likely to switch once they perceive alternative offerings as being superior with respect to the cost-benefit ratio (Kalyanaram and Little 1994; Sivakumar and Raj 1997). There is also empirical evidence from Rusult, Zembrodt, and Gunn (1982), reporting that the quality of alternatives is associated positively with exiting and negatively with loyalty. In addition to possible direct effects of attractiveness of alternatives on loyalty, moderating effects can be anticipated: In line with Oliver (1997), it can be expected that the link between cognitive and affective loyalty will be stronger under the condition of unattractive alternatives. Hence:

H2a: As the attractiveness of competing alternatives decreases, the link between cognitive and affective loyalty will become stronger.

Furthermore, the deterioration of loyalty at the conative stage of Oliver’s (1997) model is caused primarily by an increased attractiveness of competitive offerings (Sambandam and Lord 1995). Conversely, the less attractive the alternatives, the more favorably consumers perceive the offers of its current provider (Jacoby, Speller, and Kohn 1974). Consumers who generally prefer shopping at a certain retailer might therefore differ in their intention to repurchase, depending on the perception of the attractiveness of alternatives. In line with Oliver (1997), we conclude:

H2b: As the attractiveness of competing alternatives decreases, the link between affective and conative loyalty will become stronger.

Perceived Switching Costs

In many instances, customers are loyal to a provider, because of the difficulty of changing to a different firm. In accordance with Jones et al. (2000), switching is likely to involve various behavioral and psychological aspects, given that switching costs include the time, money and effort the customer perceives, when changing...
Switching barriers in the four-stage loyalty model from one provider to another, more specifically, they entail search and learning costs (Jones, Mothersbaugh, and Beatty 2002). The consumers already know the routines of their current provider, acting as a kind of specific investment, whereas these investments were lost when changing to another provider. Switching costs can affect loyalty, such as with increasing perceived costs of an activity, the probability of a consumer acting that way diminishes.

The impact of switching costs on loyalty has received relatively little attention in the literature (Burnham, Frels, and Mahajan 2003; Dick and Basu 1994; Guiltinan 1989). Aaker (1991) suggests that the analysis of switching costs can provide a basis for brand loyalty. There is empirical evidence that higher switching costs positively influence customer loyalty (Burnham et al. 2003). Furthermore, switching costs are believed to moderate the link between satisfaction and repurchase intention (Jones et al. 2002). Therefore, in addition to the possible direct effects, we believe that switching costs moderate the link between conative loyalty and action loyalty. Comparing two consumers who intend to purchase at a certain retailer, with one perceiving high switching costs while the other does not, the “locked-in” customer is much more likely to purchase at that retailer, since the consumer is faced with additional time and effort associated with a change. Switching costs explicitly foster transferring intentions into action—as suggested by the theory of planned behavior—instead of influencing earlier stages of the four-stage loyalty model (Bansal and Taylor 2002). Hence, the link between conative and action loyalty is stronger for customers perceiving higher switching costs. This reasoning is again consistent with that of Oliver (1997), who noted that key sustainers of action loyalty are, in fact, sunk costs, and actual purchase will be more likely for consumers faced with sunk costs, as opposed to those with no sunk costs which are associated with switching. In this respect, switching costs might serve as an aid to transform intention into action. Therefore, we expect:

\[ H_3: \text{As perceived switching costs increase, the link between conative and action loyalty will become stronger.} \]

Figure 1 summarizes the conceptual model of our study and the hypotheses we derived.

**METHOD**

**Data Collection Procedure and Sample**

We drew our sample for a retailer in the German DIY market in the summer of 2005. This retail market is highly competitive, with the top ten retailers accounting for roughly 80% of total sales. The retailer in our study is quite representative for this market in terms of size and success. We randomly selected 2,500 customers of that retailer and mailed them questionnaires with pre-paid return envelopes. To avoid any bias, the return envelopes were addressed to the researchers’ university. A total of 589 respondents send back usable questionnaires, resulting in a satisfactory response rate of 23.6%. Comparing early and late responses, as suggested by Armstrong and Overton (1981), no signs of non-response bias were found.

Since the data for dependent and independent variables were obtained from the same respondents, there is a possibility of common method bias (CMB). We applied the methods suggested by Podsakoff et al. (2003) to test for CMB, particularly the “single-method-factor approach.” We estimated the model with a single-method first-order factor added to the indicators of the constructs. The results reveal that even with common-method variance con-
trolled, fit-indices and the proportion of variance explained were almost unchanged in both models, and all path coefficients remain significant. Therefore, we conclude that CMB is not a significant issue in our study.

Analysis

We use multi-group structural equation modeling to test our hypotheses. Median-splits based on the values of the moderator variables were used to create the groups. Testing for moderation, we first looked at a non-restricted model and then restricted three paths in the four stage loyalty model so that they are equal across subgroups. Chi-square differences with three degrees of freedom (critical chi-square value (df=3; p= .05): 7.81) were assessed. After confirming a general moderating effect, we compared two models that only differ in one effect of one loyalty stage to the next, as suggested by our hypotheses. One model restricts the parameter so as to be equal across groups, while the second model allows variation in one of these parameters across groups. The restricted model has one more degree of freedom than the general model. A moderating effect would be present when the improvement in chi-square, moving for the restricted to the non-restricted model is significant, meaning the chi-square difference between the two models (and one degree of freedom) is larger than 3.84 (p=.05).

Measures

A conceptualization and items for measuring the constructs were developed, drawing on prior research in the loyalty literature. Except for attractiveness of alternatives, multi-item seven-point Likert scales (anchored at 1=strongly agree, 7=strongly disagree) adapted from previous studies were used.

Cognitive Loyalty. Cognitive loyalty was defined and measured as evaluation of perceived value associated with the retail outlet. In accordance with the operationalization of Verhoef, Langerak, and Donkers (2004), Sirdeshmukh, Singh, and Sabol (2002) and Baker et al. (2002), the respondents were asked to rate the perceived value.

Affective Loyalty. Affective loyalty was defined as a person’s global affect evaluation or feeling state. As proposed by Oliver (1997), we used “Overall Satisfaction” and “Liking” to cover affective loyalty.

Conative Loyalty. Conative loyalty was defined as a customer’s behavioral intention to continue buying at a retail store in the future, accompanied by a deep commitment to that store. The scale was adapted from the behavioral intention battery developed by Zeithaml, Berry, and Parasuraman (1996), and included the items: willingness to recommend, and repurchase intention.

Action Loyalty. Action loyalty focuses on (purchase) behavior. Hence, we do not focus on attitudes such as intention to purchase or intention to overcome an obstacle. In accordance with Harris and Goode’s (2004), we operationalize “action loyalty” as displayed choice preference, and not as “overcoming obstacle.” The most common assessments of behavioral loyalty are repurchasing patterns or behavioral frequency like word-of-mouth behavior, purchase frequency, and actual money spent per year, as used here.

Attractiveness of Alternatives. The attractiveness of alternatives was measured with one item, accounting for the evaluation of existing alternatives. Research in the field of neuron science has shown that the first choice is a good indicator for evaluating the attractiveness of alternative brands (Deppe et al. 2005).

Social Benefit. The social benefits measure was adapted from Henning-Thurau, Gwinner, and Gremler (2002), measuring the social benefits resulting from interpersonal relationships with the service personnel.

Switching Costs. Finally, the switching costs measure, adapted from Jones et al. (2000), captures costs across a variety of dimensions and focuses on the overall perceptions of time, money, and effort associated with changing providers.

Measurement reliability was examined through confirmatory factor analysis and Cronbach’s alpha coefficient.

It can be noted that the coefficient alpha exceeds .7, the threshold generally proposed in the literature (Nunnally 1978). Also, composite reliabilities exceed .6 for all constructs (Bagogzi and Yi 1988). The discriminant validity of the constructs was assessed using the criterion proposed by Fornell and Larcker (1981) and this criterion was met. Therefore, reliability and validity of the constructs in this study are acceptable.

RESULTS

Firstly, it is evident that the links between the various stages of the loyalty model are all significant (p<.01) and the model displays a good overall fit (χ²/df=4.312; CFI=.941; TLI=.926; SRMR=.073; RMSE=.078). Therefore, we can continue analyzing the moderating effects.

After confirming the influence of the main effects in the model, we tested for moderator effects. A chi-square difference test was conducted for the three possible moderator effects, comparing a restricted and a non-restricted model. As can be seen, “attractiveness of alternatives” (at .01-level) and “switching costs” (at .05-level) have a significant, general moderating effect on all links in the loyalty model, whereas “social benefits” displays only a week moderating effect at .1-level. Nevertheless, we continue analyzing the specific moderator effects suggested by our hypotheses.

As can be seen from table 4, each moderator only moderates one link in the loyalty model. “Attractiveness of alternatives” moderates the link between affective and conative loyalty, “social benefits” moderates the link between cognitive and affective loyalty, and “switching costs” moderates the link between conative and action loyalty.

Hence, three of four hypothesized moderating effects in the four-stage loyalty model were supported by these findings. It only seems that only “attractiveness of alternatives” fails to moderate the link between cognitive and affective loyalty as hypothesized in H2a. Furthermore, a smaller random sample of 250 respondents confirmed these results.1

DISCUSSION, LIMITATION, FURTHER RESEARCH

Gaining customer loyalty is less straightforward and more complex than several previous studies have suggested. Using Oliver’s (1997) model of loyalty, it is not until a customer shows high consistency through the four distinct stages that loyalty is achieved. In such case, customers possess not only a stable disposition but also a stable, routine purchase pattern, making them relatively resistant to competitive offers. Therefore, examining moderator variables of the links in the four-stage loyalty model leads to a clearer understanding of how to build loyalty.

The results of our empirical study suggest that there are in indeed moderator variables that display conditions under which a customer moves from one loyalty stage to the next. In particular, high perceived social benefits from a relationship with a retailer are likely to turn cognitively loyal customers into affectively loyal customers. If the attractiveness of alternatives is relatively low, a customers liking (affective loyalty) of a particular retailer can be

1We thank one anonymous reviewer for suggesting this test.
## TABLE 1

### DESCRIPTION OF ITEMS USED TO MEASURE THE CONSTRUCTS

<table>
<thead>
<tr>
<th>Scale/Item</th>
<th>Coefficient</th>
<th>Composite Variance</th>
<th>Variance Extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cognitive Loyalty (Baker et al. 2002; Sirdeshmukh et al. 2002; Verhoef et al. 2004)</strong></td>
<td>.862</td>
<td>.869</td>
<td>.571</td>
</tr>
<tr>
<td>1. How would you rate your overall shopping experience at this store?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The quality/price ratio with the dealer is good (merchandise).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. The quality/price ratio with dealer is good (service).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. For the time you spent in order to shop at this store, would you say shopping at this store is highly reasonably/highly unreasonable?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. For the effort involved in shopping at this store, would you say shopping at this store is not at all worthwhile/very worthwhile?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. The store is attractive.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. For the prices you pay for DIY-items at this store, would you say shopping at this store is a very poor deal/very good deal?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Affective Loyalty (Bettencourt 1997; Oliver 1997)</strong></td>
<td>.883</td>
<td>.885</td>
<td>.720</td>
</tr>
<tr>
<td>1. Based on all my experience with this store, I am very satisfied.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. My shopping experiences at this store have always been pleasant.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Compared to other stores, I am very satisfied with this store.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Conative Loyalty (Zeithaml et al. 1996)</strong></td>
<td>.804</td>
<td>.802</td>
<td>.670</td>
</tr>
<tr>
<td>1. Repurchase intention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Word-of-mouth intention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action Loyalty (De Wulf, Odekerken-Schröder, and Iacobucci 2001)</strong></td>
<td>.850</td>
<td>.858</td>
<td>.673</td>
</tr>
<tr>
<td>1. How often do you buy DIY things in this store compared to other stores where you buy DIY things?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. What percentage of your total expenditures for DIY do you spend in this store?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Of the 10 times you select a store to buy DIY at, how many times do you select this store?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MODERATORS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switching Costs (Jones et al. 2000)*</td>
<td>.863</td>
<td>.932</td>
<td>.870</td>
</tr>
<tr>
<td>1. In general, it would be a hassle changing DIY-retailers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. It takes me a great deal of time and effort to get used to a new company.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Benefits (Henning-Thurau et al. 2002)*</td>
<td>.848</td>
<td>.958</td>
<td>.635</td>
</tr>
<tr>
<td>1. This store offers high-quality service.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Customers could expect to be treated well in this shop.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Employees of this store could be expected to give customers personal attention.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. This store’s employees would be willing to help customers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Employees of this store would not be too busy to respond to customers’ requests promptly.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attractiveness of Alternatives*</td>
<td>.n.a.</td>
<td>.n.a.</td>
<td>.n.a.</td>
</tr>
<tr>
<td>1. This store will be my first choice for my DIY needs.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Measured using seven-point Likert scales anchored by 1=strongly agree; 7=strongly disagree.
** Measured in percentage of total expenditures.
*** Measured in times of selection.
transformed into a strong intention to repurchase. If retailers are able to create switching costs, those customers intended to purchase, are very likely to do their actual purchase at that retailer. Our results did not, however, find a moderating effect of the attractiveness of alternatives on the link between cognitive and affective loyalty. A possible explanation could be that both satisfaction and liking are still just attitudes and consumers may not consider an actual purchase situation. However, we acknowledge that more research is needed to test this link in particular.

As with all empirical studies, our study suffers from limitations. First, our object of analysis was a particular retailer from one industry. Second, we analyzed data from one point in time only. By doing so, we assume there is no time-lag between a customer’s feeling of being satisfied and the attitudinal and behavioral consequences. Thirdly, we considered only linear relations between the four loyalty stages. However, as indicated in the literature (Anderson and Mittal 2000; Keiningham, Perkins-Munn, and Evans 2003), these relationships might in fact be curvilinear. Furthermore, some scholars are skeptical about the use of median split, due to the loss of information. Further research might consider alternative ways to split the sample in appropriate sub-samples. Moreover, we only use self-reported measures for the action loyalty. Furthermore, longitudinal data would further improve our understanding of the mechanisms influencing the link between satisfaction and loyalty in general, and the effect of certain moderators in particular.

REFERENCES


### TABLE 2
**CORRELATION MATRIX**

<table>
<thead>
<tr>
<th></th>
<th>Cognitive Loyalty</th>
<th>Affective Loyalty</th>
<th>Conative Loyalty</th>
<th>Action Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive Loyalty</td>
<td>1</td>
<td>.692</td>
<td>.622</td>
<td>.455</td>
</tr>
<tr>
<td>Affective Loyalty</td>
<td></td>
<td>1</td>
<td>.707</td>
<td>.526</td>
</tr>
<tr>
<td>Conative Loyalty</td>
<td></td>
<td></td>
<td>1</td>
<td>.505</td>
</tr>
<tr>
<td>Action Loyalty</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Average Variance</td>
<td>.571</td>
<td>.720</td>
<td>.670</td>
<td>.673</td>
</tr>
</tbody>
</table>

### TABLE 3
**PATH COEFFICIENTS (“FOUR-STAGES OF LOYALTY”)**

<table>
<thead>
<tr>
<th>Four-Stages of Loyalty</th>
<th>Coefficient</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive Loyalty $\rightarrow$ Affective Loyalty</td>
<td>.786*</td>
<td>.618</td>
</tr>
<tr>
<td>Affective Loyalty $\rightarrow$ Conative Loyalty</td>
<td>.799*</td>
<td>.639</td>
</tr>
<tr>
<td>Conative Loyalty $\rightarrow$ Action Loyalty</td>
<td>.604*</td>
<td>.365</td>
</tr>
</tbody>
</table>

* $=.01$-level.
### TABLE 4
RESULTS OF MULTI-GROUP ANALYSIS

<table>
<thead>
<tr>
<th>Attractiveness of Alternatives</th>
<th>Low</th>
<th>High</th>
<th>$\chi^2$</th>
<th>$\Delta \chi^2$ (df=1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive Loyalty $\rightarrow$ Affective Loyalty</td>
<td>.745</td>
<td>.618</td>
<td>413.476</td>
<td>1.006</td>
</tr>
<tr>
<td>Affective Loyalty $\rightarrow$ Conative Loyalty</td>
<td>.808</td>
<td>.589</td>
<td>404.281</td>
<td>10.261***</td>
</tr>
<tr>
<td>Conative Loyalty $\rightarrow$ Action Loyalty</td>
<td>.380</td>
<td>.422</td>
<td>413.489</td>
<td>1.053</td>
</tr>
<tr>
<td>$\Delta \chi^2$ (df=3): 12.654***</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Benefits</th>
<th>Low</th>
<th>High</th>
<th>$\chi^2$</th>
<th>$\Delta \chi^2$ (df=1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive Loyalty $\rightarrow$ Affective Loyalty</td>
<td>.644</td>
<td>.798</td>
<td>707.977</td>
<td>5.085**</td>
</tr>
<tr>
<td>Affective Loyalty $\rightarrow$ Conative Loyalty</td>
<td>.767</td>
<td>.767</td>
<td>711.271</td>
<td>1.791</td>
</tr>
<tr>
<td>Conative Loyalty $\rightarrow$ Action Loyalty</td>
<td>.563</td>
<td>.569</td>
<td>713.062</td>
<td>.001</td>
</tr>
<tr>
<td>$\Delta \chi^2$ (df=3): 6.437*</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Switching Costs</th>
<th>Low</th>
<th>High</th>
<th>$\chi^2$</th>
<th>$\Delta \chi^2$ (df=1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive Loyalty $\rightarrow$ Affective Loyalty</td>
<td>.777</td>
<td>.702</td>
<td>445.766</td>
<td>.131</td>
</tr>
<tr>
<td>Affective Loyalty $\rightarrow$ Conative Loyalty</td>
<td>.829</td>
<td>.716</td>
<td>445.617</td>
<td>.280</td>
</tr>
<tr>
<td>Conative Loyalty $\rightarrow$ Action Loyalty</td>
<td>.365</td>
<td>.581</td>
<td>439.056</td>
<td>6.841***</td>
</tr>
<tr>
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Why Companies Should Make Their Customers Happy: The Neural Correlates of Customer Loyalty

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INTRODUCTION

The relevance of customer loyalty for company success is widely acknowledged in the literature as well as in practice (Chaudhuri and Holbrook 2001; Dick and Basu 1994; Gwinner, Gremler, and Bitner 1998; Oliver 1999; Reichheld and Sasser 1990). While relationship marketing approaches have emphasized the importance of building personal relationships with their customers, the affective foundations of customer loyalty has received less attention and is less understood than the cognitive or rational basis of customer loyalty (Chaudhuri and Holbrook 2001; Fullerton 2003). However, initial studies could show that for customer loyalty the relative strength of affective loyalty antecedents is more significant as compared to normative or “rational” ones (Fullerton 2003, Evanschitzky and Plassmann 2005). Given the homogeneity of most of today’s product and service markets and other characteristics that may constrict the customer’s use of “rational” criteria for product evaluation, brand-induced affect may represent a global evaluation measure more readily used by customers as empirical evidences from neighboring disciplines suggest (e.g. Bechara et al. 1997; Bechara and Damasio 2005 and also Slovic, Fischl, Peters, and MacGregor 2002; 2004; Yeung and Wyer 2005).

In this paper, we attempt to expand our understanding of the basis of emotional bonds customers built with companies and brands. Past research could show that people sometimes use affective reactions to a stimulus as information about its reward value (Schwarz and Clore 1988, Yeung and Wyer 2004). As recent studies on consumer decision-making propose that most information processing and, in particular, the processing of emotions is subconscious (see for reviews Bargh, 2002; Fitzsimons et al., 2002; Woodside, 2004; Zaltman, 2003) we followed the approaches from Ambler et al., Deppe et al., McClure et al. and Yoon et al. and employed functional brain imaging techniques to investigate the neural correlates of customer loyalty (Ambler, Braeutigam, Slins, Rose, & Swithinby, 2004; Deppe, Schwindt, Kugel, Plassmann & Kenning, 2005; McClure et al., 2004; Yoon, Gutchess, Feinberg, & Polk, 2006).

The paper is organized as follows. First, we review concepts of customer loyalty and the role of emotions within these concepts. Then, we provide a review of neuropsychological literature on the neural foundations of emotion-based decision-making and offer hypotheses on their implications for customer loyalty. In the following, we describe our empirical study and present our results. We conclude with implications for managers and suggestions for future research.

CONCEPTUAL FRAMEWORK

Loyalty Concept

Historically, loyalty was understood as observable repurchase behavior. It was defined as a biased (nonrandom) repeat purchase of a specific brand (from a set of alternatives) over time by a consumer using a deliberate evaluation process (Jacoby and Kyner 1973). Jacoby and Chestnut (1978) later asserted that also psychological states of a consumer had to be examined to analyze loyalty. In accordance with this reasoning, customer loyalty has been defined by Oliver (1999) as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future.” The repetitive same-brand or same brand-set purchasing would occur among loyal customers, despite situational influences and marketing efforts that could potentially enable switching behavior. Accordingly, commitment, i.e. the extent to which the customer desires to maintain a continued relationship with the firm or brand, is understood as the underlying psychological mechanism of loyalty (Allen and Meyer 1990; Morgan and Hunt 1994). Recently, customer commitment was found to be composed of different dimensions (Bansal, Irving, and Taylor 2004; Fullerton 2003). On the one hand, these are more rational aspects such as a lack of alternatives and institutional or technical requirements to use a specific product (Bendapudi and Berry 1997). On the other hand, these are affective aspects understood as an emotional attachment customers built with companies and brands (Fournier 1997; Fullerton 2003; Thomson, MacInnis, and Park 2005).

In contrast to traditional studies we attempted here to gain complementing insights by separating behavioral and psychological aspects through the use of two different data sources. Firstly, we extracted “real” purchasing behavior from a club card database of a department store including customers’ monthly spending and number of purchase days within a period of 6 months. Secondly, we investigated the underlying psychological states by means of functional brain imaging. In the neuropsychological literature a great body of studies is devoted to the impact of emotions on behavior and decision-making (for reviews, see for example O’Doherty 2004; Schultz 2006). In the following we attempt to give an introductory overview about these studies.

Neuropsychological Background

One initial common conclusion relating to the neuropsychological foundations of decision-making refers to the role of emotion in human decision-making (e.g. Bechara 2004; Bechara and Damasio 2005; Bechara, Damasio, and Damasio 2004; Paulus 2005). It is suggested that “rational” or advantageous decision-making depends on prior emotional processing related to the specific decision parameters (Bechara et al. 1997). This notion is based on neurobiological evidence that seeking rewards and avoiding punishments guides the behavior of both, humans and animals (for reviews, see for example O’Doherty 2004; Schultz 2006). In constantly changing environments, it is necessary to adapt decision-making strategies by updating changes of reward contingencies. Thus, central to the organization of such behavior is the ability to estimate the reward value of stimuli, predict when rewards will occur and integrate these predictions into decision-making strategies.

Two areas found to be involved in the representation of rewards and punishments are the orbitofrontal cortex (OFC) and the amygdala. Human (O’Doherty, Kringelbach, Rolls, Hornak, Andrews 2001) and animal (Rolls, Sienkiewicz, Yaxley 1989) studies have confirmed the role of OFC in coding for stimulus reward from a variety of sensory modalities, such as taste (Kringelbach, O’Doherty, Rolls, and Andrews 2003), olfaction (Gottfried, Deichmann, Winston, Dolan 2002), somatosensory (Rolls, O’Doherty, Kringelbach, Francis, Bowtell McGlone 2003), auditory (Blood, Zatorre, Bermudez, Evans 1999), and vision...
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(Aharon, Etcoff, Ariely, Chabris, O’Connor, Breiter 2001) as well as for more abstract rewards such as money (Elliott, Newman, Longe, Deakin 2003) or sports cars (Erk, Spitzer, Wunderlich, Galley, Walter 2002). Furthermore, various studies have revealed that the amygdala is involved in the processing of aversive (Morris et al. 1996) and pleasant (Canli et al. 2002) stimuli.

In most consumption decision situations, however, rewards are not received immediately, but at a later point in time and can be understood as a consequence of the decision. Thus, the ability to predict future rewards is crucial for consumer decision-making. Neuroimaging studies have found brain regions such as the amygdala, OFC, and striatum to be correlated with reward predictions (Gottfried, O’Doherty, and Dolan 2003; Knutson and Cooper 2005; O’Doherty et al. 2004; Schultz, Dayan, and Montague, 1997).

Then, the learning of stimulus-reward-response associations is required to integrate anticipated and experienced values into the decision-making process. Neuroscientific studies in this context have revealed that the dorsal striatum might play a crucial role in processing contingencies between responses and rewards (O’Doherty 2004; Zink et al. 2005). Additionally, areas of emotional memory such as the ventromedial prefrontal cortex (VMPFC) need to be involved in order to retrieve rewarding memories and relate them to the stimulus (Bechara and Damasio 2005; Paulus 2005). In the context of consumption decisions an initial study by Deppe et al. could show that an activation network linking the ventromedial prefrontal cortex, the striatum and anterior cingulate cortex (ACC) is involved in brand preference judgments (Deppe, Schwindt, Kugel, Plassmann, Kenning 2005). Deppe et al. (2005) described the network as an affective and self-referencing path during brand choice. Against this background our hypothesis was that the underlying neural activation patterns of reward attribution to stimuli customers feel emotionally attached to would be similar to Deppe et al.’s findings.

Thus, we hypothesize:

H1: During brand choice, loyal customers as compared to disloyal customer will show a greater activity in the striatum, VMPFC and ACC.

In the following, we describe our empirical study to test this hypothesis.

EMPIRICAL STUDY

The empirical study was designed to investigate differences in brain activity of loyal customers as compared to disloyal customers of a department store.

Participants and Study Design

A total of 300 customers of a local department store were randomly selected from a department store’s club card database of which 22 (9 females, 13 males, median age 46) were recruited, after several screening procedures, to participate in an fMRI study. Exclusion criteria were relating to fMRI safety (e.g., metal or implanted devices in the body, claustrophobia), factors known to affect brain organization, function, or blood flow (such as handedness, pharmaceutical / drug use, psychiatric, neuropsychological and medical disorders). Furthermore, participants were selected to proceed to the fMRI task only if they were either classified for the last six months as “A” customer (monthly spending of 250 EUR or more for clothing and 5 or more monthly shopping days) or “C” customers (monthly spending of 50 EUR or less for clothing and 1 or less monthly shopping days).

All participants were healthy, right-handed and, gave their written consent to participate in the study in accordance with the guidelines of the University Medical School Ethical Committee. The sample size is smaller than in typical in behavioral studies, however, it is representative of fMRI studies (see e.g. Desmond and Glover 2002; Murphy and Garavan 2004).

Experimental Procedure and Design

Participants were imaged during one functional run while making choices between two out of four department stores where they would buy different types of clothing. The experimental paradigm was designed to investigate systematic differences of neural processing during purchase decisions in the presence or absence of the specific target department store (T, the department store from which we extracted the subject pool), in contrast to three other department stores, which were classified as diverse (D1, D2, D3). Nine different pieces of clothing (P1, P2,…, P9) were chosen, that could be bought in all four department stores. They were neutral in the sense that no brand name or other criteria that allow an identification of a special brand were visible. The stimuli were presented as follows. In middle of each stimulation, a piece of clothing (P1, P2,…, P9) was shown. Slightly above that piece of clothing, on the left and on the right side, the logos of two department stores were presented. These were either the target store brand (T) and one of the diverse store brands (D1, D2, or D3), or two of the diverse store brands, resulting in sequences of TDPz and DDPz stimuli (or simplified TD and DD). The order of the stimuli was randomized referring to brands as well as to pieces of clothing. Each subject had to make a total of 120 decisions (60 TD and 60 DD).

We employed a one-factorial event related design (Bandettini & Cox, 2000; Buckner, 2003; Dale, 1999; Friston, Zarahn, Josephs, Henson, & Dale, 1999) with an inter-stimulus-interval (ISI) of 5 seconds each and a randomized stimulus presentation. In order to avoid response-related activations and movement artifacts we did not request for any feedback during scanning (Deppe et al. 2005).

The subjects were instructed to choose between two stores, according to where they would prefer to buy the piece of clothing shown on the screen. Thus, the store brand itself functions as the only selection criterion. After the fMRI scan, participants were asked to provide general personal information. Then, participants were compensated EUR 25 per hour, thanked and debriefed.

Data Acquisition

All fMRI data were acquired from a 3.0 Tesla whole body scanner (Intera T30, Philips, Best, NL). Prior to the functional data acquisition structural T1 weighted datasets were acquired for anatomical identification. The functional T2* images were acquired using single-shot gradient echo-planar imaging (EPI) sequence that covered nearly the whole brain. The data set consisted of 36 transversal slices of 3.6 mm thickness without gap. Images were acquired every three seconds (TR).

In combination with the fMRI measurement, data about the subjects’ monthly spending at the target store and the number of shopping days per month in the fashion segment, were extracted from the department’s store club card database.

Data Analysis

All acquired fMRI data were preprocessed using Statistical Parametric Mapping (SPM2; Wellcome Department of Cognitive Neurology, London, UK). For the statistical analysis, we specified regressors of a General Linear Model (GLM) according to our experimental design at the single-subject level. We then calculated contrast images for the events when T was present (TD) compared to when the T was not present (DD). These single-subject contrast images were used for a random effects analysis at the group level.
The sample was divided into two groups (A- and C-customers) based on a customer value index (monthly spending and number of monthly shopping days). A two-sample t-test was calculated on the group level to compare neural activations patterns of the two groups when T was present.

Results

The most pronounced increased activation in the presence of T in the group of A-customers compared to C-customers was found in the striatum (see Figure 1A). This area was revealed to be involved in the representation of reward prediction (Gottfried, O’Doherty, and Dolan 2003; Knutson and Cooper 2005; O’Doherty et al. 2004; Schultz, Dayan, and Montague, 1997). Zink, Pagnoni, Martin, Dhamala, & Berns (2003) found increased activity in the particular part of the striatum that we are reporting here, in response to the prediction of behaviorally relevant rewards, as compared to “only” unexpected rewards which are represented in other parts of the striatum.

Furthermore, other areas involved in the TD decision of A-customers as compared to C-customers, confirm to Deppe et al.’s First-Choice-Brand activation pattern (Deppe et al. 2005, see Figure 1 B).

The brain areas shown in Figure 1 are the activation network linking VMPFC, striatum, and ACC. Deppe et al. (2005) described the network as an emotion-based and self-referencing information processing mode during brand choice. This network was found to be involved in decisions when the subject’s first choice brand was present. Conversely, where only second or lower-ranked brands were available, the underlying neural network represents an analytical weighing of alternatives, mathematical calculation, strategic thinking and object recognition (Deppe et al., 2005). In particular in the present study, both the latter and areas involved in semantically processing such as reading and speaking were found to be activated increasingly.

DISCUSSION

In this paper, we attempt to expand our understanding of the basis of emotional bonds customers built with companies and brands. We conducted an fMRI study to assess differences in neural activations between loyal and disloyal customers of a department store. Based on prior findings in the literature, we assumed that for loyal customers the store brand would modulate the underlying information processing via an emotion-based decision path, as compared to disloyal of the respective store.

As a result, we were able to replicate Deppe et al.’s neural correlate of brand preference for the particular case of store brands (Deppe et al., 2005). In addition to Deppe et al.’s findings (Deppe et al., 2005), we linked the neural activation patterns to the actual buying behavior of the subjects. We showed that, for customers with a high monetary customer value (A-customers) the presence of the specific store brand acts as a rewarding signal during the choice task, whereas customers with a low monetary customer value (C-customers) do not reveal such a rewarding activation pattern.

Implications for relationship management

Our findings offer some important insights for management. It can be noted that for a company, it is not sufficient to concentrate on ‘bounding’ customers for instance with technical requirements (e.g. hard- and software which is only compatible with specific operating systems) or general price promotions, but encourage customers in creating affective bonds to the company or its brands. This could be achieved by for example personalizing the commu-
communication with the customer and provide the basis for emotional events the customers links to the company or brand.

Limitations and future research

The interpretation of our empirical findings are based on binary decision making tasks conducted in a controlled laboratory environment and thus, do not reflect the richness of brand choices in a real-world shopping situation. Hence, further refinement of the experimental design, such as integrating more mobile brain imaging methods, will be needed in the future.

Furthermore, we focused only on the link between one department store and their customers’ loyalty. Future studies should broaden our findings by investigating multi-brand-loyalty linkages.

In addition, we linked the neural activation patterns to past buying behavior. In following studies it might be useful to investigate whether the rewarding store brand effects can also predict future purchasing behavior. This could be implemented either by a panel data analysis over a longer period of time before and after the fMRI scanning or by including customers’ purchasing intentions (i.e. attitudinal loyalty).

In conclusion, we could deepen the understanding of the psychological states underlying customer loyalty by providing initial neurobiological evidences of “the tie that binds” customers to companies and brands.

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Optimizing Variety in Mass Customization: A Theoretical Perspective
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EXTENDED ABSTRACT
Markets today are fragmenting with individual needs and wants increasingly prone to shifts and changes (Hart 1995) necessitating products that are mass customized and customized (Simonson 2005; Wind and Rangaswamy 2001). Although considerable literature has examined mass customization from a production perspective (e.g., Papathanassiou 2004, Jiao, Ma, and Tseng 2003), it is only recently that marketing scholars have begun to examine this phenomenon (e.g., Murthi and Sarkar 2003; Simonson 2005; Wind and Rangaswamy 2001).

Typically, in mass customization, customers are provided varying options of a product’s attributes to select and thus “build” their product. A major managerial challenge in such cases is to determine the optimal variety of options to offer (Simonson 2005). Too many options would be expensive, and confusing to customers, while too few options may annoy the customers who may be unable to configure the product based on their true preferences (e.g., Huffman and Kahn 1998).

We build on the work of Sherman et al. (1984) on human qualities to classify product attributes as universally or variably evaluated. According to Sherman et al (1984), for universally-evaluated qualities, there is consensus in a population about whether a particular level is good or bad, regardless of individuals’ preference for the level. For example, people would agree that being honest is good and being dishonest is bad whether they themselves are honest or not. In contrast, there is more variability and person-specificity in variably-evaluated qualities. For example, opponents of abortion may think of a pro-choice political candidate as undesirable (“low quality”) whereas pro-choice individuals may find that candidate very appealing. Thus, for universally-evaluated qualities there exists a widely accepted evaluation basis, whereas for variably-evaluated qualities, the evaluation schemes are more individual-specific.

Similarly, in a consumption context, universally-evaluated product attributes (universal attributes), such as battery life in cell phones, would have a common and widely accepted evaluation, whereas the evaluation schemes for variable attributes, such as exterior color of cell phones, would be more consumer-specific. In laptops, consumers would generally agree that 40 Giga Bytes (GB) of hard disk space (a universal attribute) is better than 20GB of hard disk space. In contrast, the color kit options in laptops (a variable attribute) are likely to be evaluated based on personal preferences—‘Charcoal Leather’ maybe evaluated positively by one while another consumer may prefer ‘Mediterranean Blue.’

We suggest that this difference in evaluation schemes would result in consumers using different strategies for evaluating the two types of attributes.1 Specifically, we suggest that, since consumers’ knowledge of the product category would influence how they search and utilize attribute information, consumer knowledge would affect the processing of information related to variable attributes. In particular, we examine the moderating effects of two constructs related to consumer knowledge, i.e., (1) objective knowledge, (Alba and Hutchinson 1987), and (2) knowledge function of attitudes, (Katz 1960, Grewal, Mehta, and Kardes 2004), for the influence of the levels of universal and variable attributes on consumer satisfaction with mass customization platforms. Objective knowledge refers to how knowledge with respect to the object (e.g. cell phones) may influence attribute processing. The knowledge function of attitudes pertains to the most basic function of attitudes that enables individuals to make better sense of their world (Shavitt 1989). While the former refers to the use of knowledge with respect to the object (e.g. cell phone), the latter refers to the use of the object (cell phone) as a means of knowledge. Thus these two knowledge related constructs represent two sides of a coin concerning consumer knowledge. We suggest that, since a variable attribute is more personal and more likely to serve as a peripheral cue than a universal attribute (Huffman and Houston 1993; Park and Lessig 1981), variable attributes would be more important for novices than for experts such that the positive effect of increasing variable attribute options on satisfaction with the customization platform would be stronger for novices than for experts. Further, we posit that if a product serves the knowledge function of attitudes (Katz 1960; Locander and Spivey 1978), consumers are likely to have a stronger personal relationship with the product, thereby increasing the importance of variable attributes such that the positive effect of increasing variable attribute options on satisfaction with the customization platform would be stronger when the product serves the product knowledge than when it does not.

We test these propositions with two experiments set in the context of customizing cell phones. In the first experiment, we examine the moderating role of objective knowledge and find that variable attributes are more important for novices as opposed to experts. In the second experiment, we study the moderating role of the knowledge function of attitudes towards cell phones and find that variable attributes are likely to generate higher satisfaction with the mass customization platform if cell phones perform the knowledge function of attitudes than if the cell phones do not perform the knowledge function of attitudes. The results of the two experiments also suggest, as hypothesized, that objective knowledge and knowledge function of attitudes do not influence the evaluation of universal attributes.

There are several important theoretical implications of this research. We distinguish between universal and variable attributes and show their differential effects on consumer evaluation of a mass customization platform. Future research might study the criticality of this categorization in other consumption contexts, such as evaluation of competing offerings of durable goods. It would be also worthwhile to examine how this attribute classification influences satisfaction with the product or service. Additionally, we have identified important moderators (objective knowledge and knowledge function of attitudes) in consumers’ assessment of universal and variable attributes. From a managerial standpoint, our

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1Customization platform represents an interface where the product options are presented as attributes and options of those attributes are also listed. For example, a hypothetical customization platform can have two attributes—color and quality, with three options for color—red, green, and blue, and two options for quality—high and medium.
results should help marketers in deciding the number of attribute options that would provide the optimal variety in customization platforms. Also, the moderators we have identified, (namely, objective knowledge and knowledge function of attitudes), offer insights for segmenting the customers for design of mass customization platforms.

REFERENCES


Temporal Sequence Effects: A Memory Framework
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EXTENDED ABSTRACT

While much attention has been given recently to studying temporal sequences of events, few have offered explanations to account for how people integrate these events into a holistic evaluation of the experience, and virtually no attention has been given to the underlying mechanism involved. A temporal sequence refers to an experience that consists of a series of outcomes spaced over time. The findings from the temporal sequence literature indicate that people form global retrospective ratings of an experience using salient characteristics of the experience, such as the peak intensity, the end intensity, and the trend (Ariely, Kahneman, and Loewenstein 2000). The current explanations that have been proposed to account for temporal sequence findings (e.g., Ariely and Carmon 2000; Baumgartner, Sujan, and Padgett 1997) tend to be ad hoc in nature and are limited to explaining reported findings rather than offering a comprehensive account of the findings in the literature. We propose that adopting a memory-based framework can provide a parsimonious explanation for the findings on retrospective evaluations of temporal sequence.

Retrospective evaluations inherently require that people recall aspects of the experience. Past research suggests that information that is easily accessible in memory will impact judgments the most (e.g., Hamilton and Gifford 1976; Tversky and Kahneman 1973). Accessibility of information has been studied in the memory literature using a free recall task in which people are presented with a list of words that they may recall in any order (Ashcraft 2002). Findings from this research show that respondents have higher recall performance on early items on a list (primacy) because these items receive sufficient rehearsals to transfer them to long-term memory and final items on a list (recency) because these items are temporarily available in short-term memory. Though a temporal sequence is affective in nature and a free recall task is cognitive in nature, we suggest that there are parallels between an affective experience and the experience of learning a list. Thus, memory findings on free recall are expected to explain current findings in the temporal sequence literature and predict findings that would otherwise not be predicted by the temporal sequence literature.

In studies 1 and 2, we test whether a memory-based framework, utilizing primacy and recency effects, can account for the impact of the beginning, end, and trend of an experience on retrospective evaluations of the experience (e.g., Ariely 1998; Redelmeier and Kahneman 1996). Specifically, we argue that assuming that a memory-based structure is responsible for temporal sequence findings, then introducing a delay between an affective experience and evaluations of the experience should diminish the impact of the beginning of an experience on retrospective evaluations, reversing consumer preferences for improving versus declining trends. Consistent with expectations, in study 1 we show that an improving vacation experience is evaluated more favorably immediately than after a delay. Consistent with primacy and recency effects, recall of the early instances was not affected by the delay; however, recall of the final incidents declined following a delay. Study 2 replicates the findings from study 1 using both an improving and declining vacation trend and demonstrates that the differential memory for events is based on their temporal location, not their valence. Consistent with a memory-based explanation, the final events in the vacation are heavily weighted when the experience is evaluated immediately, replicating the findings from Redelmeier and Kahneman (1996). However, the initial events are heavily weighted when the experience is evaluated following a delay, resulting in higher evaluations for the improving trend immediately but a preference for the declining trend following a delay, a finding which is predicted by proposed framework but contrary to previous findings in the temporal sequence literature (e.g., Ariely 1998; Redelmeier and Kahneman 1996).

Studies 3 and 4 further confirm the role of memory by manipulating the uniqueness of one event in a vacation experience to test whether a memory-based structure can account for the impact of the peak of an experience on retrospective evaluations of the experience (e.g., Kahneman et al. 1993). Uniqueness is examined because past research using diary studies suggests that intense emotional experiences are unique (Bower 1981), leading to the expectation that peak intensity incidents are more accessible than other incidents because they are uncommon, consistent with the von Restorff effect in memory (Wallace 1965). We argue that if a peak intensity event occurs in a temporal location of an experience that impedes memory, such as the center or end of an experience that is evaluated following a delay (Ashcraft 2002), then making that event unique will facilitate recall of the event and result in that event being heavily weighted in retrospective evaluations of the experience. Consistent with expectations, study 3 shows that making the peak intensity final event in an improving vacation experience atypical enhances the recall of this event following a delay relative to a common event with the same affective intensity, demonstrating a recovery of the recency effect previously shown to diminish after a delay. Additionally, study 3 shows that evaluations are based on the peak intensity final event when the event is unique, consistent with Kahneman et al. (1993), while evaluations are based on the initial events when the peak intensity final event is common, contrary to previous findings (e.g., Fredrickson and Kahneman 1993). Study 4 further confirms these findings by replicating the results with the peak incident in the center of an experience and by demonstrating the robustness of the effects for both positively and negatively-valenced peak incidents.

In sum, the findings from this research demonstrate that a conventional memory-based framework appears to provide a coherent structure to account for consumers’ use of specific aspects of a temporal sequence when forming retrospective evaluations of an experience. In addition to accounting for past findings such as a preference for improving over declining temporal sequences and the important role of peak (both high intensity and unique) experiences, our findings demonstrate that imposing a delay prior to retrospective evaluations can create a preference reversal due to the reduced accessibility of final or common instances.

REFERENCES


EXTENDED ABSTRACT

Previous research has shown that consumers’ affective experience, regardless of whether it is a genuine integral affective response to a target, or a feeling arising incidentally from a transient mood state, can influence their evaluations of products (e.g., Adaval 2001; Pham 1998; Schwarz and Clore 1996). While we know mood can influence consumers’ absolute judgments of products, we are less clear about how it would influence consumers’ comparative judgments and choices among products. Consider a consumer who is choosing among a number of options. Suppose s/he happens to be experiencing a mood state when s/he receives information on each of these options one by one, would mood influence his/her evaluations of each of the options to a similar extent, and hence have no net effect on choice? Alternatively, would mood influence evaluations of only one of the options, and lead to changes of his/her choice? If so, which particular option would be influenced? Our research provides answers to this series of questions.

We suggest that mood can have a differential effect on comparative judgment because consumers are likely to incorporate their mood into the first evaluation being constructed during the comparison process. Moreover, once incorporated, mood will cease to influence evaluations of the latter options because its informational value for these options will be discounted. Note, however, consumers may form the first evaluation at different points in time during the comparison process. When the timing of the first evaluation varies, the influence of mood on comparison may vary accordingly. Suppose consumers evaluate the very first option from a set (e.g., the item shown on the first page of a catalog) right away when they encounter it, before they see the other options. Their mood is likely to be incorporated into the evaluation of this first option rather than into those of the subsequent ones. Alternatively, suppose consumers deliberately wait until they encounter the last option before beginning their evaluation and take a perspective focusing on the last encountered option. In this case, the evaluation into which mood is incorporated may “shift” to the last option. As such, we expect mood to influence the evaluation of the last option, rather than those of the preceding ones.

We further show that the timing of constructing the first evaluation may vary systematically as a function of choice set characteristics. For example, it may depend on whether the alternatives are differentiated by descriptive features or by their global appearance. When consumers choose among options that have similar descriptive features but differ in external appearance, they are likely to form an evaluation of the first option very quickly once they come across it, without waiting to see the comparison options. Consequently, their mood is likely to influence their evaluations of the first encountered option, and hence their choices of this option. In contrast, when consumers choose among options that are differentiated by descriptive features, they tend to wait until they have encountered all the options and to know about their features before making any comparison. Consequently, their mood is likely to influence their evaluations of the last encountered option, and hence their choices of this option.

Three experiments were conducted to test the above predictions regarding (a) how the influence of mood on comparison may vary as a function of the timing of the first evaluation and choice set characteristics and (b) the underlying mechanism through which the influence occurs.

Experiment 1. We examined the influence of mood on choices among options that only differed in global, aesthetic aspects. We induced participants’ mood by asking them to write a piece of happy or unhappy personal experience. Then they moved on to the second (ostensibly unrelated) task where they saw pictures of three mango-flavored desserts sequentially. After that, they indicated their choices and absolute evaluations of the options. As predicted, the choice share of the first option was higher when participants were happy than when they were unhappy. Absolute evaluation data confirmed that happy participants liked the first option more than the unhappy participants did.

Experiment 2. In experiment 2, the timing of the first evaluation was delayed to the last option due to changes in choice set characteristics. The procedure was essentially the same as experiment 1. However, participants chose among three desserts that differed in flavor (which is presumably an important descriptive feature for desserts). Consistent with our prediction, choice share of the last option was higher when participants were happy than when they were unhappy. Happy participants also liked the last option more than their unhappy counterparts.

Experiment 3. In experiments 1 and 2, we assumed the timing of the first evaluation would change as a function of choice set characteristics. While the literature provides theoretical supports for the assumptions, we validated these assumptions empirically in experiment 3 by manipulating the timing of the first evaluation through experimental instructions. This experiment had a 2 (induced mood: positive vs. negative) by 2 (flavor: same-flavor vs. different-flavor) by 3 (instruction on the timing of the first evaluation: no-instruction vs. immediate-judgment vs. deferred-judgment) factorial design. Participants either received no instruction or an instruction as to when to start making their evaluations before they saw pictures of two desserts. After seeing the two options one by one, they indicated their relative preferences. As predicted, happy participants in the immediate-judgment group of conditions (i.e., the “no-instruction, same-flavor” condition and the two “immediate-judgment” conditions) had a stronger preference for the first option, whereas their unhappy counterparts had a weaker preference for the first option. A reversed pattern was observed in the deferred-judgment group of conditions (i.e., the “no-instruction, different-flavor” condition and the two “deferred-judgment” conditions).

In combination, findings from experiments 1-3 support the notion that mood is likely to be incorporated into the first evaluation consumers make during a comparison process, and this evaluation could be the evaluation of the initial option or the final option of a choice set.

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EXTENDED ABSTRACT

The consistency with which consumers make product choices has important consequences for organizations interacting with consumers. If consumer choices are not very consistent (i.e., if consumers do not make the same choices in otherwise identical choice situations), the impact of changes in marketing mix variables on choice will be lowered. This situation may be harmful to for example innovative producers that develop products that are superior to existing alternatives. The reason is that if consumers do not respond consistently to the new product’s strengths in their decisions, market share of the new product will be lower than it could otherwise have been. For consumers also it may be undesirable to make inconsistent choices, for example if it leads them to ignore beneficial product attributes in making product purchase decisions.

In this study we focus on choice set complexity as a potentially important driver of consumer choice consistency. Recent empirical work on the relationship between effort and consistency (Haaijer et al. 2000), and on the effects of choice set composition on the level of error in consumer choice models (Caussade et al. 2005, Swait and Adamowicz 2001) suggests that consumer choice consistency may vary with complexity. We add to this research an analysis of observed consistency in consumers’ repeated choices and how it is affected by task-based and context-based complexity.

Task-based complexity refers to the number of cognitive steps a consumer needs to choose an optimal product (Johnson and Payne, 1985). It is expressed as the combined effect of the number of attributes and the number of alternatives in the choice set. Context-based complexity refers to the difficulty of the trade-offs that consumers have to make. We express this effect using three variables based on Shugan (1980): the variability of the attribute utilities of the products in the choice set (VAR), the covariance between the attribute utilities of these products (COV), and the difference in total utility between these products (DIF).

The effects of choice set complexity on choice consistency are not straightforward. The simulation analysis of Johnson and Payne (1985) shows that with equal effort, consumer choice consistency is inversely related to choice complexity. The effect of complexity on consistency then depends on how consumers adapt their choice strategy and their effort level. In particular, if consumers respond to increased complexity by increasing their effort, the consistency of their decisions may be stable (or even improve) if complexity increases.

Results of Haaijer et al. (2000) suggest that in general consumers’ effort responses to increases in choice set complexity are not sufficient to maintain equal choice consistency. Fischer et al. (2000) analyze consumer preference judgments. They find that, if judgment tasks become more complex in terms of variance, responses take more effort and become less accurate. The latter finding suggests that increases in VAR in a choice context may also lead to less consistent choice behavior. Dellaert et al. (1999) find that logit model error increases when price based utility trade-offs increase. This effect also suggests that increases in VAR (i.e., higher price variance), and possibly decreases in COV (i.e., lower correlations between price and other attributes), lead to less accurate choices. An opposing effect of increases in VAR may be that the differences between the products become larger, increasing the incentives to perform well in the choice task. Hence, VAR could also increase choice consistency as more effort is exerted. With respect to task complexity, Caussade et al (2005) investigate the effects of the number of alternatives and the number of attributes, finding a positive effect of the number of alternatives and a negative effect on the number of attributes, implying a mixed result for the effect of task complexity (TASK). We are not aware of previous research on the effect of DIF, but greater differences in utility make the best alternative stand out from the rest, we expect it to facilitate consistency in choosing the best alternative from a set.

To investigate the proposed effects of complexity on consistency, data was collected through a stated choice experiment where each one of the 1114 respondents was randomly assigned to two of twelve possible choice complexity conditions. These twelve choice conditions were composed of different numbers of alternatives, different numbers of attributes, and different attribute levels, resulting in substantial variation in task and context complexity across conditions.

To quantify context-based complexity and its effects on choice consistency we first estimate a heteroskedastic mixed logit model. The variance of the error component in the mixed logit model is allowed to vary across choice sets, permitting the level of error in the choice model estimates to vary freely on choice set composition. In the next step, we obtain individual level preference parameters. These parameters are used to compute attribute utilities for each alternative for each respondent in each condition. Based on these utilities we calculate measures VAR, COV and DIF for each choice set. TASK is a function of the number of attributes and alternatives only, and varies only across choice sets.

In our main analysis, we empirically test the effects of choice set complexity on choice consistency using a Logit model. The dependent variable is whether the repeated choice task is performed consistently, i.e. the same alternative is chosen twice or not, and the independent variables are the complexity measures introduced above. The results show that TASK complexity decreases consistency and we conclude that increases in task complexity are not sufficiently compensated by increased effort to maintain the same level of accuracy. For context complexity, we find that differences in utility between the alternatives in the choice set increased choice consistency. Variance of the attribute utilities in the choice set also increased choice consistency, and the effect of covariance between the attribute utilities in the choice set alternatives was not significant. These results suggest that increased differences in utility between alternatives and greater variability in the attribute levels raise the stakes to the decision maker, resulting in more effort being exerted in the choice task and higher choice consistency.

REFERENCES

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Recollections of Pleasure and Pain: When Losers are Motivated to Edit their Retrospective Evaluations

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EXTENDED ABSTRACT

People have unrealistically positive views of self and are unrealistically optimistic about the future (Taylor and Brown 1988). For instance, they believe they will be more likely than their peers to like their first job, earn a good salary, and have a ‘gifted’ child (Weinstein 1980). On the other hand, people believe that they are much less likely than their peers to be a victim of crime (Perloff and Fetzer 1986) or contract the HIV virus (Raghubir and Menon 1998). All of these examples show that people are optimistic when they predict the outcome of future events. Will the same biases occur when people reflect back on events that have already occurred? Are people motivated to make the past seem better than it was? Autobiographical memory research shows that the intensity of negative affect associated with memories fades faster over time than positive affect (Walker, Vogl, and Thompson 1997). Additionally, hedonic editing suggests that people focus on the ‘silver lining’ in a loss frame (Thaler 1985) to maximize their happiness. However, to date there is no evidence that people in a loss frame edit their retrospective evaluations of an experience to be more positive.

We propose that gamblers in a loss frame are motivated to hedonically edit their evaluation of the experience such that the gambling experience will be remembered more positively. We show that losers use the peak win to improve the retrospective evaluation of a gambling session. In particular, gamblers that believe that winning at gambling is a skill they possess are motivated to edit their retrospective evaluation of a losing gambling episode. We also propose that gamblers are not motivated to hedonically edit their evaluation of a winning gambling episode. Instead, we show that the retrospective evaluation of the winners is determined by the amount of cash they won, regardless of their belief that gambling is a skill that they possess.

In study 1, participants were given 30 opportunities to bet on the future outcome of a coin toss. Once each outcome was revealed, the study administrator distributed winnings and collected losses based on the outcome of the coin toss. Participants were asked to report how the outcome of the bet made them feel by marking an ‘X’ on a 125 mm continuous scale anchored with a happy face and a sad face. A time series cross sectional regression analysis was run on moment-by-moment evaluations with the outcome for each bet as the independent variable as an additional test of whether the current outcome explained the current moment-by-moment evaluation. To check for the independence of moment-by-moment evaluations, a lagged outcome variable and a lagged evaluation variable were included to test whether current moment-by-moment evaluations were affected by the previous outcome or the evaluation associated with the previous outcome. The results indicate that the current outcome explained the moment-by-moment evaluation, that there were no remnants of the previous outcome, and that there were only slight remnants of previous evaluations. This is an important finding because study 2 is based on an assumption that the outcome of each gamble (amount won or lost) determines the moment-by-moment evaluations.

In Study 2, 102 gamblers bet on 20 coin toss games. After the gambling experience, gamblers were asked to report their evaluations of the experience and their intention to replay the game, and the illusion of control scale.

The retrospective evaluations of winners and losers were tested with separate regressions including the amount of money won on the peak win, the amount of money lost on the peak loss, the trend of outcomes (winning, losing), the final cash position, and their score on the illusion of control scale. The retrospective evaluation of the experience for winners was determined by the final cash position only, a larger win resulted in a more positive retrospective evaluation. The retrospective evaluation for losers was determined by the peak win. Losers appear to look for the silver lining (i.e. something positive) in an otherwise negative situation. The illusion of control score was also significant: the higher the illusion of control, the more positive the retrospective evaluation.

We also ran an ANOVA on the retrospective evaluation with final outcome (winner, loser) and the illusion of control score (high, low). The ANOVA revealed a significant interaction. It is the losers with a high score on the illusion of control scale that edit the retrospective evaluation to be more positive. The losers with a low illusion of control score were significantly less positive than the winners with a low illusion of control score. The losers with a high illusion of control were not significantly different in their evaluation of the experience.

Previous research has found that the peak moments and the final moments of an experience play an important role in the construction of retrospective evaluations of purely painful experiences. An opportunity to use an optimizing strategy in the construction of a retrospective evaluation is present when reflecting back on a mixed experience that is not available when remembering a purely painful experience. We found that when people are asked about a past gambling experience, the peak win is important in the memory of losers and the final cash outcome is important in the memory of winners: facilitating the construction of a most positive retrospective evaluation. Interestingly, we found that the illusion of control did not affect the retrospective evaluation of the winners, but it did affect the losers. It was the losers with a high illusion of control score that edited their retrospective evaluation.

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