The Effect of Surplus Avoidance on Completing a Goal in Loyalty Program

Jessica Y. Y. Kwong, Chinese University of Hong Kong, China
Kin Fai Ellick Wong, Hong Kong University of Science and Technology, China

We propose a surplus avoidance principle in which consumers become less motivated when their current action will not only complete but also overshoot a goal, and argue that surplus avoidance results from an overgeneralization of concern for waste. In an experiment assessing consumers’ preference for a retailer as they progress toward the goal of a loyalty program, participants are less likely to return when their current purchase will complete the program with more stamps than needed versus those with just enough stamps. This gives preliminary evidence that surplus avoidance leads to behaviors opposite goal-gradient and time-discounting.

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more likely to occur in real life situations instead of hypothetical situations when both regret and validation are induced. The results of this research contribute to further extending the existing literature on regret and consumer behavior, specifically building upon the understanding of future-oriented coping.

Reference

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It has long been recognized that goals guide individuals in channeling their efforts and in selecting and creating courses of action that can produce desired outcomes (Bandura 1997; Feather 1982; Locke and Latham 1990). One robust phenomenon observed in this process is that people exert greater effort as they get closer to the goal (Bagozzi and Dholakia 1999; Bandura and Locke 2003). For instance, Kivetz, Urminsky, and Zheng (2006) found that consumers purchase more frequently and in greater quantity when they get closer to the goal of a loyalty program. Another robust phenomenon documented in time-discounting literature indicated that people perceive the value of an object to be higher when it is temporally proximal than when it is temporally distant (Kirby and Herrnstei, 1995; Loewenstein 1987). Accordingly, consumers are likely to prefer an immediate reward than a future one.

In this article, we focus on consumer decisions by investigating the effect of overshooting a goal on consumers’ motivation toward achieving a certain goal in loyalty programs. Contrary to the goal-gradient phenomenon and the findings in time-discounting literature, we argue that when consumers evaluate the attractiveness of making a repurchase after joining a loyalty program, consumers will be deterred from repurchase when they anticipate that such a repurchase will lead to surplus loyalty points, i.e., getting more points than needed to complete the goal. In other words, consumers will follow a surplus avoidance principle such that they are reluctant to proceed when it will overshoot their goal, thus the surplus avoidance tendency also lead consumers to choose a distant rather than an immediate reward.

The surplus avoidance principle is consistent with the central idea of the psychology of waste (Arkes 1996), which postulates that humans avoid being wasteful. This drive, which is referred as a “Don’t waste” rule, is applied to a wide variety of contexts. When evaluating the attractiveness of an action, people tend to equate it with the extent to which such an action will lead to waste (Arkes 1996). However, previous research has shown that people often over-generalize this rule to various situations. They will go to great lengths to avoid being wasteful, and this desire often leads to behaviors that violate the normative definition of rationality (Arkes 1996; Arkes and Blumer 1985; Larrick, Morgan, and Nisbett 1990). For example, while consumers strive to maximize their loyalty points, they may end up with more than enough loyalty points (i.e., surplus points). It is possible that consumers will interpret the surplus points as waste because they feel that they are paying more than necessary to finish the loyalty program. However, this interpretation is inappropriate because consumers are paying not for the loyalty points but for the products they are buying. Thus, as long as they need those products, their spending will be fixed. In situations where wastefulness is no longer appropriate, consumers may still embrace the “Don’t waste rule,” which leads to behaviors that are non-optimal and are opposite the typical goal-gradient and time-discounting findings.

In an experiment, we test the central prediction that consumers will find a particular store less attractive when purchasing there will incur surplus loyalty medium (e.g., loyalty stamps) than when it will not. Participants in this experiment were told that the two major supermarket chains that they often visited, Supermarket Near and Supermarket Far, offered two separate loyalty programs that are equivalent in every aspect. In both programs, they would earn one stamp for every US$10 they spend, and 10 stamps would earn them a restaurant voucher. In the no surplus condition, they collected six stamps from Supermarket Near and seven stamps from Supermarket Far. In the surplus condition, they collected six stamps from Supermarket Near and nine stamps from Supermarket Far. They were informed that Supermarket Near was just a five-minute walk, whereas Supermarket Far was a 15- to 20-minute walk. The participants were informed that they were going to shop for items for a student union gathering and were expected to spend around US$30. They would get three stamps if they go to either supermarket. The participants were asked which supermarket they would go and were also asked to indicate their