Differential Effectiveness of Discounts in Product Bundles

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We examine whether a discount on certain items in the bundle is more effective than an equivalent discount on other items when the bundle contains both hedonic and utilitarian components. Five experiments show that bundle purchase is more likely when a discount is offered on the hedonic item rather than on the utilitarian item or the bundle. We explain that a discount provides a justification that increases the likelihood of hedonic purchases but has little impact on utilitarian consumption as it faces lower disutility. Our proposition is hard to reconcile with the economic notion of fungibility of money. However, the reasoning is intuitive if saving on hedonic items is psychologically more rewarding than saving on utilitarian items.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/13302/volumes/v35/NA-35

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SYMPOSIA SUMMARY
Indulgence and Guilt: Evaluating the Boundaries of Consumers’ Guilt-Management Strategies
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SESSION OVERVIEW
A large body of research has examined the conflicts consumers face in making choices between hedonic and utilitarian options. “Hedonic” and “utilitarian” refer to two dimensions of the consumption experience distinguished by the level of affect and emotion evoked by, and the motivation to engage in, the consumption. Hedonic consumption, which is experiential in nature refers to “multi-sensory, fantasy and emotive aspects of one’s experience with products” (Hirschman and Holbrook 1982) while utilitarian consumption is instrumental and functional in nature (Dhar and Wertenbroch 2000; Strahilevitz and Myers 1998). A number of choice conflicts have been examined under the broad “hedonic-utilitarian” choice umbrella (Khan, Dhar, and Wertenbroch 2005), such as choices between hedonic and utilitarian options (Dhar and Wertenbroch 2000), luxuries and necessities (Kivetz and Simonson 2002a,b), frivolous and practical consumption (Strahilevitz 1999; Strahilevitz and Myers 1998), vices and virtues (Read, Loewenstein, and Kalyanaraman 1999; Wertenbroch 1998) “shoulds” and “wants” (Bazerman, Tenbrunsel, and Wade-Benzoni 1998), affective and cognitive preferences (Shiv and Fedorikhin 1999) and “affect-rich” and “affect-poor” (Hsee and Rottenstreich 2004) consumption.

Most of this stream of research implicitly assumes that “hedonic” and “utilitarian” are end-points on a bipolar continuum. Further, much of the research has focused on the inhibitory role of guilt in restricting indulgence. Hedonic options are pleasurable and guilt-laden, utilitarian options are less pleasurable and result in no guilt. Justifications, such as higher effort (Kivetz and Simonson 2002a), type of resources (O’Curry and Strahilevitz 2001) or virtuous behavior in another domain (Khan and Dhar 2007) free consumers to choose the hedonic option; in the absence of such justifications, consumers are more likely to choose the less pleasurable but also less guilt-laden utilitarian option.

Despite considerable progress in this area, it remains a fertile area for research. This session seeks to address a number of questions. Is the typical depiction of options as either hedonic or utilitarian representative of the complex choices that consumers make? We believe not, given the recent introduction of mixed products (heart-healthy chocolate, vitamin-enriched sodas) that attempt to combine pleasure with lack of guilt. Second, do consumers respond to all kinds of justification or only selectively? Finally, do consumers always seek guilt-management strategies? Is guilt always avoided? In this session, we attempt to discuss these questions about indulgence and guilt-management by considering complex products and situations.

This session comprises three papers. The first two papers examine how consumers perceive complex hedonic-utilitarian product bundles containing a hedonic and utilitarian product. The authors show that consumers are more likely to purchase the bundle if a price discount is offered on the hedonic item than if the same price discount is offered on the utilitarian item in the bundle or on the entire bundle. This finding suggests that consumers do not aggregate the pleasure and guilt in a hedonic-utilitarian bundle but treat each part of the bundle separately.

Finally, Dai, Wertenbroch, and Brendl demonstrate that foresighted consumers may actually seek guilt as a motivating device to solve self-control problems that are essential for the success of future task completion. This guilt seeking for the purpose of building up motivation thus systematically affects consumer preference and choices.

This session should benefit the growing body of researchers working in the area of hedonic consumption and self-control. We also expect it to benefit research on consumption emotions as guilt has not been extensively examined in the domain of consumption emotions. Finally, we expect that the mixed nature of the products discussed will benefit those who work in the area of mixed affective and emotional experiences. The discussion leader, Baba Shiv, will synthesize the three papers and address their distinct contributions in the light of additional work in psychology, consumer behavior and now neuroeconomics that addresses affective-cognitive distinctions.

References


**EXTENDED ABSTRACTS**

“Mixed Indulgences: When Removing Sin May Backfire”  
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Patti Williams, University of Pennsylvania

Research on the hedonic-utilitarian choice conflict has typically presented consumers with choices between “hedonic” or “utilitarian” options, a binary choice which implicitly assumes that hedonic-utilitarian perceptions lie along a single bipolar continuum. Although researchers have theoretically demonstrated that the hedonic-utilitarian space is bivariate (LeClere, Schmitt, and Dubé 1994; Voss, Spangenberg, and Grohmann 2003), little prior research has examined consumer reactions to choices that might be both hedonic and utilitarian. At the same time, a number of new products are being launched in exactly this mixed space – baked crisps, heart-healthy chocolates by Mars Inc. (Barrionuevo 2005) and recently, the announcement of vitamin-enriched sodas by Pepsi & Coke (Martin 2007). In this research, we examine consumers’ hedonic and utilitarian perceptions and their evaluation and choice of such mixed products. We examine a specific kind of mixed product: a hedonic option with added utilitarian attributes, which we term a “hedonic-plus” mixed indulgence. Examples of this kind of mixed indulgence in our studies are heart-healthy chocolate cake with flavonols, protein enriched potato chips, calcium-enriched cheese curls.

Across several studies, we find that, contrary to previous research, the hedonic-utilitarian space is not a continuum or even a bivariate space, but rather, a three-dimensional space. Specifically, while the “utilitarian” construct is consistent with past research, the hedonic construct is not, as previous research suggests, a uni-dimensional construct. Instead it comprises two factors: a “pleasure” factor and a “sin” factor, thus suggesting that consumers perceive simultaneous and separate “good” and “bad” sides of indulgence. Further, our research suggests that adding utilitarian attributes to an indulgence may change perceptions along one dimension (sin) without affecting perceptions along the other dimension (pleasure) and this may have implications for evaluation and choice of such mixed products.

In Study 1, we presented subjects with a variety of pure (mixed) indulgences and asked them to rate the products on hedonic/utilitarian perceptions and evaluate the products. A factor analysis on hedonic-utilitarian perceptions suggests a three-factor structure that explains 89% of the variance. On the utilitarian dimension a single consistent factor emerges. On the hedonic dimension, however, we find evidence for two factors, reflecting the conflicting nature of indulgence. The first factor we term as “pleasure” comprises high factor loadings on items such as “pleasurable”, “enjoyable”, “delightful”, “fun.” The second hedonic factor comprises high loadings on the terms “sinful”, “vice”, “harmful”, “frivolous”. We term this second factor the “sin” factor.

This three-dimensional model allows for specific changes along the dimensions: mixed indulgences are perceived as more utilitarian than pure indulgences. They are also perceived to be less sinful although they are not perceived to be significantly less pleasurable than pure indulgences. At the same time, mixed indulgences are not evaluated more positively than pure indulgences.

In Study 2, we examined choice for the mixed versus pure indulgence. In this study subjects were exposed to one of two choice sets from which they had to choose one item as a dessert. In the control (experimental) condition subjects were exposed to a choice set containing three items: a pure indulgence i.e. ice-cream, a pure utilitarian product i.e. fruit salad and the indulgence under study i.e. chocolate cake (heart-healthy chocolate cake). We find that despite evaluations suggesting that mixed indulgences might be a superior option (equally pleasurable, more utilitarian and less sinful than pure indulgences) mixed indulgences actually fare worse than pure indulgences on choice: the choice share of the mixed indulgence falls significantly from the pure indulgence condition to the mixed indulgence condition (65% vs. 43%), (p<.05).

In Study 3, we show that intentions to choose a mixed indulgence are moderated by temporal construal (Fujita et al. 2006) that changes the relative salience of pleasure and sin factor. A distant time horizon increases preference for the mixed indulgence, a prediction consistent with construal-level theory. Abstract construals of mixed indulgence which incorporate the lower sin and higher utility relative to the pure indulgence are more attractive than concrete construals which focus on the pleasure obtained in indulgence. However, near time horizons highlight the pleasure factor in indulgences and lead to preferences for pure indulgences over mixed ones.

In addition to these studies, we will also discuss the difference that process makes to final evaluations of mixed indulgences. Drawing on the negativity dominance and contagion literature (Baumeister et al. 2001; Rozin and Royzman 2001), we propose that adding utilitarian attributes to hedonic products results in a mixed indulgence that is negatively evaluated, while adding hedonic attributes to utilitarian products leads to a mixed indulgence that is positively evaluated relative to the base product.

Our research makes contributions to both theory and practice by exploring a new space in the hedonic-utilitarian domain to uncover two dimensions of indulgence. Further, the separability of
the “good” and “bad” face of indulgence has implications for when mixed inducements, with their promise to remove sin, might succeed with consumers and when they might backfire.

References

“Differential Effectiveness of Discounts in Product Bundles”
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Marketers often encourage purchase aggregation through contingent discounts to stimulate demand (Guiltinan 1987). The current research examines whether a contingent discount on certain items in the bundle is more effective than an equivalent discount on the bundle as a whole when the shopping basket contains both hedonic and utilitarian components. Several studies suggest that the purchase of hedonic goods is often associated with disutility beyond its monetary costs, e.g., higher pain of paying (Prelec and Loewenstein 1998), guilt from indulgence, and difficulty of justification (Okada 2005; Dhar and Wertenbroch 2000). Because of these differences in hedonic and utilitarian products, we propose that a bundle purchase is more likely when a discount is offered on the hedonic item rather than on the utilitarian item or the bundle. We explain that a discount provides a justification that can increase the likelihood of hedonic purchases while such justifications have little impact on utilitarian consumption as it faces lower disutility. Our proposition is hard to reconcile with the economic notion of fungibility, which would argue that $10 saved should feel like $10 regardless of the item on which this saving is incurred. However, the reasoning is intuitive if saving money on a hedonic item is psychologically more rewarding than saving the same amount on a utilitarian item. Five studies demonstrate our proposed effect.

Study 1 used a reading lamp as a utilitarian and a soundcard as a hedonic item in a bundle offer. Participants saw a hypothetical scenario in three conditions that offered a discount on different components of the bundle. Participants imagined that they were shopping for a lamp when they come across this special offer - Buy a $50 soundcard (for intense gaming) with any $50 lamp and get $10 off the soundcard (lamp, total purchase). Thus, the total cost of the items was kept constant across the three conditions while the discount was placed on the lamp, the soundcard or the bundle. Participant then indicated the likelihood of buying the bundle on a 9-point scale. The data show that purchase likelihood of the bundle was significantly higher (M=6.3) when the discount was on the soundcard than on the lamp (M=4.1, t(45)=4.33, p<0.05) or on the bundle (M=4.96, t(46)=2.55, p<0.05). Moreover, when the discount was on the bundle the purchase likelihood of the bundle was higher than when the discount was on the lamp (t(45)=1.85, p=0.07). The results are consistent with the idea that a discount is more effective on a hedonic item as it provides an added justification for the purchase. Although, people can reallocate savings as they want, the results suggest that the discount earned remains associated with the item on which it is offered.

An alternative account for these results could be that a discount is most effective when placed on the item which is not part of the shopping plan in the instructions. Study 2 ruled out this possibility by focusing on bundle purchase in two conditions that used a blender as an unintended purchase option. Specifically, participants imagined that they were at a mall to purchase the lamp when they find the deal bundling the lamp with a blender. The blender was either framed as hedonic (for making cocktails) or utilitarian (for making healthy shakes). Other instructions and measures were same as in Study 1. If placing a discount on the unintended item is driving the results then framing the blender as hedonic or utilitarian should not affect the purchase likelihood of the bundle. However, if hedonic or utilitarian nature of the purchase is responsible for our results then the effect observed in Study 1 should attenuate when the blender is framed as utilitarian. The main result was replicated. In the hedonic framing, the purchase likelihood of the bundle was significantly higher when the discount was on the blender (M=6.6) than when the discount was on the lamp (M=5.25; t(68)=3.02, p<0.05). Moreover, there was no significant difference in the purchase likelihood of the bundle in different conditions (t(68)=1.01, p=ns) when the blender was framed as utilitarian.

Study 3 tests whether the difficulty of justification moderates the effect. Past research shows that buying something as a gift does not have the usual guilt and difficulty of justification that is associated with hedonic purchases (Thaler 1985). We predict that the effect observed in Study 1 would diminish when the blender is purchased for a gift. Participants imagined that they were buying a lamp for themselves when they come across a deal bundling the lamp and a blender for making exotic cocktails. In one condition participants were told that the blender will make a great gift for their roommate while in the other they were suggested that the blender would be an exciting addition to their kitchen. Results show that placing the discount on the blender significantly increased the purchase likelihood of the bundle when the blender was offered (t(65)=2.36, p<0.05) but not when it was for a gift (t(68)=0.44, p=ns). In other words, a discount on the blender increased the purchase likelihood of the bundle when it provided an added justification and not when the justification was inherent in the purchase.

Finally, Study 4 shows that the guilt anticipated in a hedonic purchase mediates the proposed effect of discount framing, and Study 5 demonstrates the effect with real choices. An interesting implication of these studies is that people process the discounts as they are offered and do not aggregate across different items. This is consistent with mental accounting research showing that money is not treated interchangeably. Furthermore, our findings suggest that people may not be motivated to interpret a discount in a manner that makes it easier to purchase the hedonic item.

References
Imagine that a consumer, who is very interested in history, is planning to visit three historical sites accessible by foot only. He decides to buy a pair of hiking boots for that purpose. Consider the following two situations: in one he has to visit all three sites (due to external constraints) to be able to return to the hotel in which he stays. In the other situation he can quit at any point of the hiking trip and return to the hotel easily. In which situation would he be more likely to buy expensive hiking boots (rather than cheap ones) if he wants to visit all three sites? We predict and show that consumers are more likely to buy expensive boots in the latter situation, in which they are faced with a variable-effort self-control task (rather than a fixed-effort task as described in the former situation). We propose that consumers are more likely to choose expensive boots in the latter situation because they want to motivate themselves to finish the task. Buying more expensive boots can make themselves feel guilty, which, in turn, leads to higher motivation to finish the future task (hiking to all three sites). That is to say, consumers strategically choose a guilt-laden option (vice rather than virtue option) to build up their motivation for the future task.

More generally, we propose that people have a lay theory of the positive relation between experienced guilt and motivational intensity. Based on such a lay theory, far sighted consumers strategically choose guilt-inducing vice options to enhance their motivation to engage in a subsequent self-control task when they feel they need strong motivation, and/or when they feel they don’t have enough motivation for the tasks. This form of self-induced motivational commitment, or motivation maintenance, is related to self-control by precommitment (e.g., Hoch and Loewenstein, 1991; Scitovsky 1992; Wertensbroch and Carmon 1997, Wertensbroch, 1998), according to which consumers self-impose constraints on their future ability to give in to temptation.

Our empirical tests of this proposition include two parts. In the first part, we test consumers’ lay theory about the relation between experienced guilt and motivational intensity. In the second part, we examine whether the motivational concern about a future self-control task predicts consumers’ preferences for vice and virtue options.

In study 1, students primed with guilt predicted that they would be more motivated, study longer hours, and devote a higher percentage of time to studying in the upcoming semester. In study 2, we manipulated the importance of the future task and asked participants to predict their motivational level after engaging in two different activities: resting at home or going to a party. The results showed that for an unimportant future self-control task (studying for an unimportant exam), resting led to greater predicted motivation and effort input, whereas for an important future task (studying for an important exam), going to the party led to greater predicted motivation and effort input. These studies imply that consumers have a lay theory about the relation between guilt and motivation. Furthermore, consumers put more weight on their mental energy (motivation) versus psychical energy when the future task is important than when it is unimportant.

In the second part, we tested whether consumers would make choices based on strategic motivation maintenance and thus prefer guilt-laden options. Consistent with our prediction, we found the following: (1) Participants who had failed in a preceding self-control task were more likely than those who had succeeded to go to a bar rather than stay at home the evening before they wanted to quit smoking, presumably to build up their motivation for the upcoming self-control task (study 3). (2) Participants who faced a future self-control task, in which they could freely choose their effort level (from one to three days of volunteer work), were more likely than participants who faced a task with fixed effort levels (three days of volunteer work) to attend a party than to stay at home, again, for the purpose of motivating themselves to work longer (study 4). (3) Furthermore, consumers with a variable-effort future self-control task (5-15 miles of hiking) were more likely to buy luxury hiking boots than those facing a fixed task (15 miles of hiking) (study 5). (4) Finally, when the future task was important, those who were less confident in their ability to finish the task were more likely to reward themselves before the task (rather than after the task) than those who were more confident. In contrast, when the future self-control task was not important, the rewarding timing choice is not different between those who are more and less confident in their ability to finish the task, again consistent with our proposition that consumers self-induce guilt to build up their motivation for future task. These results provide converging evidence for our hypothesis of strategic motivation maintenance and cannot be explained by other theories of sequential decision making such as licensing (Khan & Dhar, 2006).

Our results have important implications in a number of fields. First, contrary to all the previous literature on emotions, which suggests that people avoid negative emotions, we demonstrate that people sometimes strategically self-induce guilt, a specific type of negative emotion. Second, empirical research on the role of specific emotions in self-control is lacking (Loewenstein & O’Donoghue, 2006). We try to identify conditions, under which people use self-induced emotional states as a means of self-control, demonstrating the mediating role of emotions underlying many self-control strategies.

References