Product Failure and Warranty Purchase: Their Effects on Target-Specific Emotions and Attitude Toward the Brand

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This paper investigates the consumer affective responses to product failure as a result of making a decision to buy or not buy a warranty at the time of product purchase. Specifically, we present hypotheses about differences in consumers’ emotional reactions to products failure, and consequently their attitude toward the brand, depending upon whether they have purchased product warranties. The hypotheses are derived by arguing that different types of counterfactual thinking and attributions are invoked under conditions of product failure or no product failure, and the purchase of a warranty or no warranty purchase by the consumer. Theoretical and managerial implications are briefly discussed.

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the effect of embarrassment. In one study, self-monitoring was shown to be positively correlated with the level of embarrassment experienced in certain situations. (Sabini et al., 2000) Building upon this research, study 2 chose to examine a closely related factor- self-awareness. In reexamining the open-ended responses from study 1, it appeared that among the most frequently mentioned embarrassing consumption situations were those involving the purchase of condoms and feminine hygiene products. A pretest consisting 20 day-to-day consumer goods confirmed that condoms and personal hygiene products were considered among the most embarrassing products.

Study 2 (n=76) was an exploratory investigation of the effects of primed self-awareness, consisting of a design in which subjects were asked to imagine shopping with a fictitious grocery list consisting of 6 neutral and 3 socially embarrassing products. Participants in the priming condition were given a self-awareness enhancing task that asked them to write twenty sentences beginning with “I am” and engage in a pronoun identification task, where all pronouns referred to the self (i.e. I, me). The remaining subjects were administered a distraction task. Subjects were then given a photograph and brief description of each item on the list, followed by six questions assessing their attitude toward the product and likelihood to use the product, if needed. Unfortunately, the results indicate that there were no significant differences in the attitudes toward the neutral or embarrassing products for primed and non-primed participants.

After answering questions regarding each of the 9 products, subjects were told that they could only select 6 products to purchase. Interestingly, there was a significant effect of primed self-awareness on the number of socially embarrassing products purchased, F(1, 76)=3.908, p<.05. That is, although primed and nonprimed participants reported not having different attitudes toward the array of products, primed participants were more likely to remove socially embarrassing products from their shopping basket than nonprimed participants. Furthermore, a Chi-Square analysis corroborated that in fact, there was a difference in the proportion of embarrassing to non-embarrassing products chosen by primed and non-primed participants, X2=47.789, p<.01. These results imply that although attitudes toward socially embarrassing products might not be affected by a state of heightened self-awareness, it might still impact purchase decisions. These findings are exploratory in nature and additional investigation would be useful in understanding what factors might moderate the impact of self-awareness on embarrassment, such as the ability to justify one’s purchases.

References

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Abstract
This paper investigates the consumer affective responses to product failure as a result of making a decision to buy or not buy a warranty at the time of product purchase. Specifically, we present hypotheses about differences in consumers’ emotional reactions to products failure, and consequently their attitude toward the brand, depending upon whether they have purchased product warranties. The hypotheses are derived by arguing that different types of counterfactual thinking and attributions are invoked under conditions of product failure or no product failure, and the purchase of a warranty or no warranty purchase by the consumer. Theoretical and managerial implications are briefly discussed.

Introduction
Approximately 15 billion dollars are spent by U.S. consumers each year on purchase of warranties. It is the contention of this research that consumers’ emotional reactions to products failure, and consequently their attitude toward the brand differ depending upon whether they have purchased product warranties. The hypotheses are derived by arguing that different types of counterfactual thinking and attributions are invoked under conditions of product failure or no product failure, and the purchase or no purchase of a warranty by the consumer.
Counterfactual thinking refers to a consumer imagining alternatives to past outcomes. These are thoughts of what might have been if he/she had done something different. Counterfactual thoughts are typically generated in response to a conscious decision of the individual. In our case, the conscious decision is to buy or not buy the warranty coverage offered by the retailer when purchasing a consumer durable (e.g., a computer). When counterfactuals focus on outcomes that are better than the actual outcomes, they are referred to as upward counterfactuals; those focusing on outcomes that are worse than actual outcomes are referred to as downward counterfactuals. The effects of counterfactual thinking are rooted in one of the two underlying mechanisms—contrast effects and causal interference (Roese 2000). Contrast effects occur when a judgment becomes more extreme through juxtaposition of some anchor or standard. In a contrast effect, a factual outcome may become worse if a more desirable outcome alternative is salient. Counterfactual thinking may also imply causal inferences that may have implications independent of contrast effects.

Counterfactual thinking has consequences for experience of a range of emotions such as regret, and social ascriptions such as blame (Byrne, Segura, Culhane, Tasso & Berrocal, 2000). Counterfactual thoughts are also generated by attributions of product failure, including, self (“I should have bought service plan”—same as counterfactual), product itself (“Its because of this stupid brand Sony”– this could possibly lead to counterfactual again—“I should have bought Cannon instead”) or attributions about circumstances (“it is because of the way I used the camera”—this also could lead to counterfactuals—“I should not have taken this camera for my hiking trip when it rained”).

**Contribution**

There has been no prior work looking at counterfactual attributions leading to how decisions are made subsequently and specifically in the context of service plans.

We apply the learning from a review of counterfactual literature and appraisal theories to the decision to buy or not to buy an extended warranty, and its effect on target specific emotions and attitude toward the brand. Based on this several hypotheses are proposed.

This research will contribute to the theoretical understanding of the counterfactual thinking process in an extended warranty situation, and develop a framework to predict emotions experienced under different situations, and subsequently their attitude toward the brand. The findings of this study will be relevant as conditions under which positive and negative target-specific emotions and attitude toward the brand are generated will be identified.

**Hypotheses**

*When the product fails,*

H1a: Those who bought the warranty will feel positive self-directed emotions (e.g., pride).

H1b: Those who did *not* buy the warranty will feel negative self-directed emotions (e.g., regret).

H1c: Those who bought the warranty will feel mixed emotions of relief and mild irritation toward the brand.

H1d: Those who did not buy the warranty will feel intense negative emotions toward the brand (e.g., anger and bitterness).

*If the product does not fail*

H2a: Those who bought the warranty will feel negative self-directed emotions (e.g., embarrassment and humiliation).

H2b: Those who did *not* buy the warranty would feel positive self-directed emotions (e.g., pride).

H2c: Those who bought the warranty will feel negative emotions of feeling deceived toward the brand.

H2d: Those who did *not* buy the warranty will feel positive emotions toward the brand (e.g., joy and contentment).

*Other hypotheses*

H3: The attitude toward the brand will be lower among subjects for whom product failed than among those for whom it did not.

H4: The decline in attitude toward the brand between subjects for whom the product failed (versus did not fail) is greater for those not buying the extended warranty than for those not buying it.

**Method**

The hypotheses were tested using a 2 (warranty or no warranty) X 2 (product failure or no failure) between subjects on-line scenario-based experiment involving the purchase of a computer. The scenario required each subject to choose between a computer with no warranty and a computer with a warranty at a given price. This price was determined using pretests to find the indifference point for the purchase of a warranty for a $599 computer. A control condition that does not mention the availability of a warranty was also administered by offering subjects a choice between computer with a large screen for $699 and a small screen computer with a small screen for $599. In subsequent screens they were randomly assigned to one of the two conditions of product failure or no product failure. Counter factual thoughts, cognitive elaborations, anticipatory emotions, attributions, and target related emotions experienced and attitudes towards warranty, and brand were measured. Analysis show support for our hypotheses.

**References**
