The Effect of Past Usage Pattern on Preference For Current Tariff: Can I Control Myself?

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The current research examines the relationship between past usage patterns and current tariff choice. First, we examined how consumers’ preference for tariffs changes when the past usage pattern is fluctuating depending on the content type (Study 1). Second, we proposed the underlying mechanism to explain consumers’ tariff choice by using self-control and perceived risk (Study 2). Specifically, if consumers think themselves to have the high level of self-controllability, they choose the tariff that fits the norms of each content usage. Otherwise, they choose the tariff based on the risk related to the failure of tariff choice.

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EXTENDED ABSTRACT

In spite of the importance of past usage patterns on tariff choice, in our knowledge, there are few studies investigating the effect of past usage patterns on tariff choice. The purpose of this article is to examine the relationship between past usage patterns and current tariff choice by using self-control theory.

Past usage patterns of consumers may range from being stable to fluctuating. Depending on the past usage pattern which tariff, pay-peruse or flat-rate tariff, will be preferred? We try to explain consumers’ tariff choice by using self-control and perceived risk of tariff choice failure. Basically, when the pattern is stable a person tends to choose pay-per-use tariff if their usage is less than the minimum beneficial rate for flat-rate tariff or choose flat-rate tariff if their usage is excessive in order to maximize economic utility. However, a person can not be sure of next usage of certain content if variance of the past usage pattern is high, which results in that he/she is concerned about self-control for future usage as well.

Our study focuses on the case in that the past usage pattern is fluctuating. This research proposes the two different mechanisms depending on the self-controllability when the past pattern is fluctuating. Specifically, if consumers think themselves to have the high level of self-controllability, they choose the tariff that fits the norms of each content usage. Otherwise, they choose the tariff based on the risk related to the failure of tariff choice.

According to prior research on self-control, hedonic contents make people feel guiltier as the usage volume increases (e.g., Kivetz and Simonson 2002; Prelec and Herrnstein 1991; Thaler 1980). Therefore, in general, people strive to decrease the usage volume of hedonic contents as possible and increase the usage volume of utilitarian contents (e.g., Ainslie 1975; Hoch and Loewenstein 1991; Trope and Fishbach 2000; Werttenbroch 1998). Thus, if people perceive that they can control their future usage, utilitarian contents users are more likely to choose flat-rate tariff to increase the usage volume. On the other hand, hedonic contents users are more likely to choose pay-per-use tariff in order to decrease the usage of hedonic contents.

The decrease in the self-controllability of future usage leads him/her to focus on a future tariff choice failure which is either the case of that he/she chose pay-per-use tariff but used more than their estimated usage rate or the case that he/she chose flat-rate tariff but used less than their estimated usage rate. In the case of the hedonic content, if consumers who chose pay-per-use tariff are unsuccessful in the choice, they can not justify the added costs easily. In contrast, if consumers who chose flat-rate tariff experience the choice failure, they can justify the unused usage more easily. Finally, it is predicted that consumers exposed to the fluctuated usage of hedonic contents are more likely to prefer flat-rate tariff to pay-per-use tariff. In the case of the utilitarian content, if consumers who chose flat-rate tariff are unsuccessful in the choice, they can not justify the unused usage easily. In contrast, if consumers who chose pay-per-use tariff experience the tariff choice failure, they can justify the added costs more easily.

Study 1 examined the effect of past usage patterns on preference for two tariff options and the moderating role of a content type. Participants were given the scenario in which they have been using an online web site providing online contents. Depending on the manipulation of content type, they were involved in the online site offering either hedonic or utilitarian contents. After, the table showing the past pattern of each content usage was provided. The data of the table had twelve month usage in terms of time. After exposed to the stimuli, participants were asked to evaluate preference for the two different tariffs. Study 1 showed that when the past usage pattern had high variance, preference for tariffs is different depending on the content type. Specifically, hedonic content users preferred flat-rate tariff, while utilitarian content users preferred pay-per-use tariff.

Study 2 was initiated in order to support our theory more strongly by conducting the experiment to manipulate the level of self-controllability. We hypothesize that utilitarian contents users are more likely to prefer flat-rate tariff than the hedonic contents users when they have the high level of self-controllability. On the other hand, hedonic contents users are more likely to prefer flat-rate tariff than the utilitarian content users when they have low level of self-controllability. In study 2, the same pattern of past usage with the target usage of 30 hours was provided across all conditions, but the average usage was different from 25 hours per month to 35 hours per month. We intended for participants in the utilitarian content condition to experience failure in self-control given the past usage pattern with 25 average hours per month whereas success in self-control given the past usage pattern with 35 average hours per month. As hypothesized, in the case of the high level of self-controllability condition, participants exposed to the utilitarian content reported a higher score of preference for flat-rate tariff than those exposed to the hedonic contents. As for the case of the low level of self-controllability condition, participants exposed to the hedonic contents reported a higher score of preference for flat-rate tariff than those exposed to the utilitarian contents.

Contributions made by the present research are twofold. First, we examined how consumers’ preference between the two tariffs changes when the overall past usage pattern has high variance. Second, we proposed the underlying mechanism to explain consumers’ tariff choice by using perceived risk and self-control. In study 2, we showed that if people perceive that they have control over their future usage, they choose the tariff that fits the norms of each content usage even when the past usage pattern is highly fluctuating. On the other hand, if people perceive that they have less control over their future usage, they choose the tariff based on the risk related to the failure of tariff choice.

REFERENCES


