The Effects of Regulatory Focus on Consumer Judgments Involving Self and Others’ Payoffs

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Prevailing theory and research suggest that promotion-focused consumers are more risk seeking than prevention-focused consumers. The current study shows, however, that adding a social dimension such as payoffs relative to others can eliminate this difference. Whereas promotion-focused consumers seek superior performance relative to others, the tendency to avoid inferior performance relative to others is not pronounced among prevention-focused consumers. The upshot is that the traditional risk-seeking promotion-focused consumer demands a substantial inequality premium (relative to their prevention-focused counterparts) if their winnings are split, equally or unequally, with other consumers.

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EXTENDED ABSTRACT

Many decisions involve choices that affect not only the self or one’s organization but also others and other organizations. For example, consumers can factor in both their own position and that of the dealer when negotiating a car’s price. Aggressive managers may weight relative performance so heavily that they prefer options that damage their own profitability just because it is slightly more damaging to a competitor (Kalra and Soberman 2008). The current study extends such research by assessing the potential impact of regulatory focus on decisions that determine self and other payoffs.

Consider the following two scenarios. In Scenario 1, a consumer has to select between two options, A and B. Option A consists of the consumer winning $100 for sure, whereas in Option B a chance event decides if the consumer wins either $150 or $80 (e.g., winning the $150 depends on picking a yellow ball from a jar containing 100 yellow and white balls). If asked for the minimum number of yellow balls the jar must contain for the individual to still prefer Option B, consumers focused on avoiding the worst outcome should state a higher minimum acceptable probability (MAP) than those focused on obtaining the best outcome (Bohnet and Zeckhauser 2004). Scenarios 2 is identical to Scenario 1 except that consumers now share payoffs with a confederate. Option A splits $200 equally between the two so that each receives $100. However, in Option B, a chance event determines whether the two consumers split $300 equally ($150 each), or whether the consumer receives $80 while the confederate receives $220. Consumers who like sharing money with others or who do not mind receiving less should like Option B more in Scenario 2 than in Scenario 1. However, consumers who do not like sharing money with others or who dislike receiving less than others should like Option B less in Scenario 2. The consumer’s self-explicated MAP, now determined by risk for money and aversion to inequality, should reflect this potential change in Option B’s attractiveness. If, as we hypothesize, consumers dislike sharing money and/or receiving less than do others, their MAP’s should be higher in Scenario 2, an elevation we refer to hereafter as an inequality premium.

This study tests for the existence of an inequality premium as well as the possibility that regulatory focus moderates that premium. Consumers typically self-regulate by focusing on either acquiring the best outcome (promotion focus) or avoiding the worst outcome (prevention focus; Higgins 1997). However, to the extent that a particular regulatory focus also involves a self-view intent on distinguishing oneself from others or integrating oneself with others (Lee, Aaker, and Gardner 2000), we expect promotion-focused consumers to be more sensitive to coming out ahead and prevention-focused consumers to be more sensitive to fitting in harmoniously. Accordingly, promotion-focused consumers should find Scenario 2’s risky Option B to be especially distasteful as they now have to share any larger win with someone else or endure a loss in money not only relative to Option A’s sure thing, but relative to what someone else wins as well. On the other hand, prevention-focused consumers should not be so concerned with their payoffs relative to others, such that moving from Scenario 1’s non-social situation to Scenario 2’s social situation should have relatively little impact on them.

In Study 1, we explore if regulatory focus affects consumers’ enjoyment of winning money if they win the money alone, or others win with them. We assigned forty-nine undergraduate students (24 females) to one of two regulatory focus conditions. Following the procedure outlined by Higgins and others (1994), we asked participants in the promotion-focused (prevention-focused) condition to write a brief essay about their hopes and aspirations (duties and obligations) at present as well as five years from now. Following their essay, participants imagined that they would receive a cash prize but how much cash they would receive depended upon a lottery’s outcome. We described two lotteries. In Lottery 1, the participants, playing by themselves, could win $150 or $80. In Lottery 2, the participant, paired with a classmate, could win $150 (with the classmate also winning $150), or $80 (with the classmate winning $220). Consistent with our expectations, promotion-focused participants were less happy with the $80/$220 split relative to winning $80 alone (M=6.29 on a 9-point scale where 9.0=Less happy, significantly greater than the scale’s mid-point of 5.0; t(23)=4.86, p<.001). Prevention-focused participants also expressed less happiness if a confederate came out ahead, but on a much smaller magnitude (M=5.68, not significantly different from the scale’s mid-point of 5.0; p>.05).

In Study 2, we assigned fifty-two undergraduate students (16 females) to one of two regulatory focus conditions using the same priming manipulation as in Study 1. After writing their essay, participants imagined that they had to choose between Options A and B in Scenarios 1 and 2 (described above). After reading each scenario, participants indicated their MAP of selecting Option B to Option A by writing a number between 1 and 100 (smaller numbers mean a stronger preference for the risky Option B). In Scenario 1, the MAP for promotion-focused participants (M=54.19) was smaller than the MAP for prevention-focused participants (M=64.42; F(1, 49)=4.25, p<.05). However, as predicted, promotion-focused participants demanded a significant inequality premium when moving from Scenario 1 to Scenario 2 (M’s=54.19 vs. 69.00; F(1,24)=43.86, p<.0001), and one that was significantly larger than the premium demanded by prevention-focused participants (M’s=64.42 vs. 68.50; F(1, 24)=2.35, p>.10).

These findings are important for both theory and practice. Prevailing theory and research suggests that promotion-focused consumers are more risk seeking than prevention-focused consumers. The current study shows, however, that the addition of a social dimension such as payoffs relative to others can eliminate this difference. For practice, marketers hoping to sell risk-reducing products such as established, trusted brands might be able to enhance their chances by invoking social risks. Whereas a fear tactic focusing on the embarrassment of being worse off than others might affect all consumers, it should be especially potent for reining in the risk seeking tendencies of more promotion-focused consumers who might be more inclined to try a new and unproven competitor.

REFERENCE


