Gamblers Are Fun (But They Aren't Risk Takers)

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We show that subtle differences in framing can dramatically alter people’s willingness to accept risky versus certain options. In particular, we find that choosing an uninteresting option often feels worse than rejecting an interesting option, and that earning nothing sometimes seems better than earning next-to-nothing.

[to cite]:

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to smaller prizes. Consistent with the mediation documented in Experiment 1, the presence of additional smaller prizes reduced the perceived likelihood of the larger prize, which in turn mediated the effect.

Our explanation of value atrophy hinges on the notion of lay belief that larger prospects are less likely than smaller prospects. In Experiment 3A we document existence of such lay belief. Participants indicated that they were more likely to experience a smaller prospect than a larger prospect in a variety of scenarios in both positive and negative domains (e.g., participants believed that they were more likely to find a $1 bill than a $100 bill on the ground, and more likely to sustain small rather than large damage from an earthquake). Providing convergent evidence, Experiment 3B similarly found that participants believed that both themselves and others would be more likely to obtain a small rather than a large prize from a lottery.

Because our theoretical framework suggests that value atrophy is in part driven by a contrast between smaller and larger prospects, we predict that value atrophy should only occur if a risky option contains a prospect that is relatively larger than the other prospects contained in it. Experiment 4 provides further support for our proposed theoretical account by testing this prediction. Participants viewed a pharmaceutical drug that either had a single minor side effect, multiple minor side effects, a single severe side effect, or the same severe side effects plus minor side effects. Value atrophy only occurred in the last two conditions when the magnitude of one prospect was larger than the other prospects.

If shifts in perceived probabilities underlie value atrophy, then the effect should not occur in contexts where there is no uncertainty regarding the likelihood of the prospects. In Experiment 5 we tested this prediction by manipulating whether the prospects were probabilistic or non-probabilistic. In the probabilistic context we told participants that they were choosing between two lotteries whereas in the non-probabilistic context we told them that they had earned additional compensation and were choosing between two certain compensation packages. We found value atrophy in the former context but not the latter. Specifically, we found that people chose a lottery offering a single large prospect over a lottery offering an equivalent large prospect plus a chance to win additional smaller prospects. However, we did not find this choice pattern in the compensation context.

The results are not only consistent with our proposed process, but also rule out several alternative possibilities. Specifically, value atrophy is unlikely to be driven by increased cognitive load or by decreased salience of the larger prospect. If increased load or decreased salience of the large prospect drove the effect, we would expect addition of prospects to produce value atrophy regardless of the prospects’ magnitude and/or probability. In contrast, we find that value atrophy occurs only in probabilistic options, and only when smaller prospects are included with a larger prospect. The effect also cannot be explained by an average value computation account whereby the overall value of a risky outcome is computed by averaging the magnitude of the prospects contained in it. This explanation is unlikely since the atrophy effect emerges only in probabilistic contexts and not in certain contexts where the perceived likelihoods of the prospects cannot shift.

Besides being theoretically interesting, the findings also have significant practical implications for marketers as well as policy makers since consumers evaluate the risks and benefits associated with their choices on almost a daily basis. Our research explains when bundling smaller prospects with larger ones may help or hurt marketing efforts. Our findings also have important implications for public policy. For example, consider FDA requirements to disclose all of a medical drug’s potential risks. Current findings suggest that disclosing minor side effects may ironically make a drug appear less risky. Thus, this research has direct consequences for the design of advertisements, promotions and policy.

REFERENCES