Hedonic Editing Revisited

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When evaluating outcomes, prospect theory predicts that individuals should integrate losses and segregate gains. However, evidence for this hedonic editing hypothesis has been mixed, particularly in the domain of losses. We propose and demonstrate that the integration or segregation of outcomes depends on perceptions of possible category-membership.

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EXTENDED ABSTRACT

In daily life, we generally experience a lot of negative and positive events and outcomes. How do we evaluate situations consisting of multiple experiences or outcomes? One could expect that the way we experience a set of experiences is merely the sum of these experiences; the pleasure of winning $30.- plus the pleasure of winning $20.- is equal to the pleasure of winning $50.-, and the pain of losing $5.- ten times in a row is equal to the pain of losing $50.- at once. But research suggests that the way we evaluate series of experiences is not always just the sum of the evaluation of the individual experiences (Fredrickson & Kahneman, 1993).

Based on prospect theory, we would assume that people try to mentally combine negative experiences. After all, due to prospect-theory consisting of a convex loss-function, the sum of the experience of two painful outcomes is bigger than the experience of the combination of the two outcomes. On the other hand, we should like to separate positive experiences, since it is more pleasurable to have two smaller good things than it is to have one larger good thing happening. This intuition has been expressed by Thaler (1985) as part of this work on mental accounting calling this process of selectively integrating and segregating outcomes "hedonic editing". Even though these predictions (integration of losses and segregation of gains) appear fairly straightforward, research on the integration of experiences and outcomes has failed to find any conclusive evidence that people indeed group negative events differently from positive ones. For example Thaler & Johnson (1990, Experiment 2) presented participants with two negative outcomes and asked them whether a person experiencing both negative events at the same time, or a person experiencing the events a week apart would be more upset. Contrary to expectations, no systematic effect was found that participants expected those experiencing the events on the same day would be less upset. Linville & Fisher (1991) also tested whether people were more likely to integrate losses as compared to gains, but did so using a slightly different method. Similar to Thaler & Johnson (1990) they also presented people with two events, but they asked participants to indicate whether, if the first event happened today, they would prefer the second event to take place today as well, or rather one week later. Overall, they found that participants preferred to both gains, as well as losses to happen one week apart. Thus, their results did not support the idea that people are more likely to integrate losses as compared to gains. Taken together, it appears that people do not group positive events and outcomes differently from negative ones. This lack of support for hedonic editing has even lead Thaler (1999) to proclaim a “failure of the hedonic editing hypothesis.”

Then what determines when and how people aggregate outcomes? As mentioned by Kahneman and Tversky (1984) it seems likely that two events that are encoded in the same mental account are aggregated before evaluation while those that are not part of the same account are evaluated separately. If that is the case, we would only expect hedonic editing effects to emerge whenever there is reasonable flexibility in the degree to which two outcomes can be part of the same mental account or not. If two bad outcomes cannot plausibly be part of the same mental account, they cannot be integrated even if it would make those events feel less bad. For example, even though it may feel less bad to first aggregate a painful visit to the dentist with one’s favorite vase breaking before evaluating those events, it seems impossible to come up with a mental account that could encapsulate both. Just like some outcomes cannot share the same mental category, other outcomes may be extremely difficult to segregate because they obviously belong to the same category. For example, it may feel more pleasurable to win four times $50.- in the lottery rather than $200.- at once, but one has to be quite skilled at self-deception to convince oneself that a single lottery-win of $200.- is actually four separate instances of a $50.- gain. The ability to hedonically edit ones outcomes thus appears to be constrained by the degree to which the relationship between outcomes is ambiguous enough for these outcomes to plausibly share a mental account or not. If the outcomes are clearly part of one category, segregation is unreasonable and both gains and losses will be integrated. If the outcomes are clearly members of different mental accounts, integration is implausible and both losses and gains will be evaluated as segregated outcomes. However, when there is flexibility in the degree to which the outcomes belong to the same mental category, we would expect to find evidence for hedonic editing. In these cases, people will be more likely to integrated losses and segregate gains.

In five experiments we test whether the degree of category membership is an important moderator of hedonic editing effects. More specifically, in Experiment 1 we investigate and find that people are more likely to integrate losses when these losses occur in the same domain rather than in different domains. Then, in Experiment 2 we replicate and extend Experiment 1 both by testing similar, dissimilar and moderately similar outcomes, as well as including both losses and gains. For losses we find that increased similarity leads to an increase in preference for them occurring the same day, while for gains this pattern does not emerge. In Experiment 3 we do not manipulate the (dis)similarity of the outcomes, but instead manipulate the width of the category. When the category is perceived to be broader, participants were more likely to integrate the negative outcomes. Finally, in Experiment 4a and 4b we test the underlying process and find that these differences in preference for outcomes occurring on the same vs. different days can be explained by the degree to which participants place these outcomes in the same category.

REFERENCES