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## **Unavailable Cake on the Menu: How Phantom Compromise Alternatives Alter Indulgence Tendencies**

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This study shows that compromise-but-unavailable “phantom” alternatives systematically alter indulgence tendencies. Study 1 and 2 show that such alternatives can increase indulgence by reducing anticipatory guilt and regret. Studies 3 and 4 then reverse the effect by moderating hedonistic tendencies. The results implicate latent desires (those not reflected in control/baseline shares) that phantom-compromise alternatives can leverage to alter choice.

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# Unavailable Cake on the Menu: How Phantom Compromise Alternatives Alter Indulgence Tendencies

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## EXTENDED ABSTRACT

Consumers commonly choose between indulgent and prudent alternatives. Indulgence involves short-run pleasure combined with long-run harm which then risks feelings of guilt if chosen (Lascu 1991). Prudence, on the other hand, provides less utility in the short-run but more utility in the long run (Werthenbroch 1998) and is thus easier to justify (Prelec and Loewenstein 1998). The current study extends research on indulgence by showing that compromise-but-unavailable “phantom” alternatives can alter indulgence tendencies.

Unavailable alternatives are common in the marketplace and often alter choices (e.g., Hedgcock, Rao, and Chen 2009). The experiments reported here test compromise phantoms that are equidistant in attribute (e.g., calorie/taste) space between two competing alternatives. Given natural tendencies for people to enjoy pleasure (Gisling 1969), we hypothesize that compromise phantoms will reduce anticipatory guilt and regret associated with indulgent choices and thereby increase the popularity of such choices, unless circumstances exist to alter hedonistic preferences.

Study 1 randomly assigned 75 participants to choose between (1) one apartment offering lower rent (prudence) and another apartment offering shorter distance to nightlife and entertainment (indulgence), or (2) the same two options when the set also included a compromise-but-unavailable alternative that fell midway between the two available alternatives. As hypothesized, the phantom increased the indulgence’s share from 28.9% to 48.6%, though only approaching statistical significance (chi-squared = 3.07;  $p = .08$ ).

Study 2 replicated Study 1’s phantom-compromise effect in another consumption context (snack choice) while assessing the mediating role of anticipatory guilt and regret. Seventy-eight participants were randomly assigned to control and phantom-compromise conditions involving taste-calorie tradeoffs. The compromise phantom again increased share of high-calorie high-taste cookies from 56.1% to 79.5% (chi-squared = 10.66,  $p < .05$ ), and reduced both anticipatory guilt ( $M$ ’s = 4.25 vs. 3.26;  $F(1, 76) = 5.17$ ,  $p < .05$ ) and regret ( $M$ ’s = 4.13 vs. 3.11;  $F(1, 76) = 5.42$ ,  $p < .05$ ), effects at Sobel tests implicate as mediators of the phantom effect (e.g., guilt;  $z = -1.99$ ,  $p < 0.05$ ).

Because we hypothesize reducing hedonistic tendencies will reverse the effect, Study 3 primed 124 participants with a prudent goal of healthy eating (Laran 2009) and randomly assigned them to control and phantom-compromise conditions using Study 2’s taste-calorie trade-offs. As hypothesized, the phantom-compromise alternative increased prudence’s share from 29.2% to 45.8% (chi-squared = 3.62,  $p = .06$ ).

Study 4 extended Studies 1-3 by manipulating participants’ indulgence tendencies through the use of lower and higher reference rents on apartments being considered. The participant’s former rent was indicated to be lower or higher than the two apartments now being considered in a move to a new city. To eliminate contamination from known currency and apartment values, Study 4 enlisted a currency unfamiliar to the 191 U.S. participants (South African Rand) randomly assigned to 2 (phantom: yes/no)  $\times$  2 (reference rent: higher/lower) between-subjects conditions. We expected a high reference rent to produce underlying indulgence goals and a low reference rent to produce underlying prudence goals. As hypothesized, a log-linear

model revealed a significant phantom-by-reference rent interaction (Wald(1) = 5.14,  $p < .05$ ). The phantom-compromise alternative increased the indulgence’s share from 56.0% to 72.9% (chi-squared = 3.05;  $p = .08$ ) under a higher reference rent, but reduced it from 65.2% to 50.0% (chi-squared = 2.18;  $p = .14$ ) under a lower reference rent.

Four experiments thus demonstrate a phantom-compromise effect that either increases or reduces indulgence tendencies depending upon the circumstance. It appears that latent desires not reflected in control/baseline shares exist, desires that phantom-compromise alternatives can leverage to alter decisions to indulge. Future research is needed, however, to better identify underlying processes and potential moderators thereof.

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