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## **Consumer Weighting of Hedonic and Utilitarian Dimensions ACross Judgments**

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This research examined how individuals trade-off between utilitarian and hedonic dimensions across different judgments: choice, pricing and liking. When attribute trade-offs were large, utilitarian attributes were weighted more in choice than in pricing, or liking judgments, consistent with the prominence hypothesis. However, for small attribute trade-offs individuals placed greater weights on utilitarian attributes in liking than in choice, or pricing. Although decisions were largely driven by high utilitarian values, the size of the trade-off impacted the weights assigned to hedonic attributes in a joint evaluation context. Hence, smaller trade-offs resulted in increased weighting of hedonic attributes in choice and pricing.

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## Consumer Weighting of Hedonic and Utilitarian Dimensions across Judgments

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### Extended Abstract

A fundamental assumption in the theory of choice is that of procedure invariance which suggests that individuals have well-articulated preferences and beliefs that remain constant regardless the method of elicitation. However, studies of decision and judgment show that people do not have well-defined values and beliefs and often construct these during the elicitation process (Fischhoff, Slovic & Lichtenstein, 1980; Shafer & Tversky, 1985; Tversky, Sattah and Slovic, 1988; Schkade and Johnson, 1989). Thus, different elicitation procedures highlight different aspects of options and may result in inconsistent responses, or preference reversals.

In two studies we examined situations that involved trade-offs between utilitarian and hedonic dimensions across three elicitation methods: choice, pricing and liking. Previous work by Hsee et al. (2003) shows that when decision makers are faced to trade-offs between cold and hot factors they exhibit a systematic inconsistency between predicted experience (i.e., a liking judgment) and choice. They suggest that individuals weight more hot factors when predicting their experience, but place more emphasis on cold or rational factors in choice. Hsee and Zhang (2004) provide further evidence that easy-to-quantify attribute differences (i.e. quantitative differences) are weighted more in a joint evaluation mode (e.g., choice) than in single evaluation mode (e.g., predicted happiness judgments). For example, individuals overpredict the experiential difference between easy to quantify differences such as having an annual salary of \$60,000 and an annual salary of \$70,000 and between living in a 3,000 sq. ft<sup>2</sup> house and a 4,000 sq. ft<sup>2</sup> house, but are less likely to overpredict the experiential difference between doing an interesting and a tedious job or between having to walk to work and having to drive to work.

In study 1 we used a stimulus composed of two attributes, a utilitarian and a hedonic attribute. Individuals made 240 judgments of three types: choice, pricing (essentially a matching judgment when participants had to price one of the option with the objective of matching a second option in value) and liking. The decisions were made in two consumer categories, cars and apartments, and were framed as acquisition decisions. In addition, we manipulated the size of the trade-off by including three levels of utilitarian and hedonic attributes. Consistent with the prominence hypothesis, we expected that utilitarian attributes would be weighted more in choice than in pricing (matching) and liking decisions, since they seem more important and provide a better justification for choice. In agreement with Hsee et al. (2003), we predicted that options described as high on hedonic dimensions, would be rated higher in liking judgments than options described as high on utilitarian dimensions. Our first prediction, the prominence of utilitarian attributes in choice in comparison to pricing and liking, was confirmed when the size of the trade-off was large. Thus, utilitarian attributes were weighted more in choice than in pricing ( $t(79)=25.93, p < .001$ ), or liking ( $t(79)=5.19, p < .001$ ). However, when the size of the trade-off was small, individuals placed greater weights on utilitarian attributes in liking judgments than in choice ( $t(79)=10.95, p < .001$ ) or pricing ( $t(79)=10.25, p < .001$ ). In conclusion, although decisions were largely driven by high utilitarian values, the size of the trade-off had an impact on the weights assigned to hedonic attributes in a joint evaluation context. Hence, smaller trade-offs resulted in increased weighting of hedonic attributes in choice and pricing decisions.

Study 2 tested whether framing a decision in terms of a loss (forfeiture) or a gain (acquisition) may further moderate attribute weighting across elicitation procedures in situations when the size of the trade-off is large. Dhar and Wertenbroch (2000) suggest that in choice, hedonic attributes receive a greater weight in forfeiture than in acquisition decisions, due to more extensive elaboration in a forfeiture context. In agreement with Dhar and Wertenbroch (2000), we expected that in forfeiture, options described as high on hedonic attributes would better predict preferences across elicitation methods in comparison to options described as high on utilitarian attributes. Our data presented only partial support for this hypothesis. We found that framing a decision as a forfeiture results in a greater weighting of hedonic attributes in liking judgments ( $t(83)=9.50, p < .001$ ), consistent with an elaboration hypothesis. It can be concluded that individuals anticipate more regret associated with forfeiting a high hedonic option than with a high utilitarian option. This effect was not present in choice or pricing judgments. However, we found that, hedonic attributes were weighted more when individuals made pricing judgments in an acquisition context ( $t(83)=7.44, p < .001$ ) than in forfeiture. This suggests that in acquisition, individuals expect to pay more for high hedonic options than for high utilitarian options. However, it is possible that the null effect for choice was caused by the nature of the stimulus. On each choice screen, participants were presented with three options: a reference option, which provided the acquisition or forfeiture frame, and two choice options. It is possible that individuals used decision short-cuts and failed to take into consideration the reference item in choice. Further studies are necessary to rule out this potential explanation.

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## Dimensions of Attitude Towards A Sales Promotion Offer

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### Extended Abstract

Walk into a supermarket and you will not be surprised to see a great many products on promotion of one kind or the other. Promotions have rightfully become the ubiquitous element of consumers' shopping experience with US marketers spending more than \$100 billion in the form of annual promotional expenditure (Kerin et al, 2003).

The present study contends that consumers' responses towards various sales promotions depend on their attitudes towards a given sales promotion and such attitudes depend on the intrinsic characteristics of a given promotional offer. Blattberg and Neslin (1990). They define a sales promotion as "an action-focused marketing event whose purpose is to have a direct impact on the behavior of the firm's customers."

Different sales promotional tools serve different objectives. Some promotions such as in-store display and 'two-for-one' help generate un-planned purchases (Inman et al, 1990; McClure and West, 1969) and Mulhern and Padgett (1995) show how retail promotions induce consumers to buy regular priced merchandise. Sales promotions are also used to increase store traffic (Grewal, Manroe and Krishnan, 1998; Lichtenstein and Bearden, 1989) increase number of visits to the store (Walters and Rinnie, 1986) and reduce retailers' inventory carrying costs by inducing consumers to stockpile (Blattberg, 1981; Soo Ong, 1999).

Prior research has studied the variations in consumers' responsiveness to deals by product category, market, and type of consumer (Blattberg et al 1995). Evidently, there hasn't been much of an attempt, bearing a few exceptions, to study the differences in consumers' responsiveness to different promotions arising out of variation in the intrinsic characteristics of a promotional offer. We propose that consumers view promotions as a bundle of some combination of these attributes and each promotional offer represents a unique bundle of attributes. Based on literature review, the initial set of attributes viz. monetary benefits, non-monetary benefits, efforts needed, risk involved, ambiguity of benefits, imprecision in benefits, benefit delay, and effort delay were identified.

Monetary benefits are defined as the economic incentive offered by a promotion, the basic purpose of promotions is to offer an economic inducement to consumers for making the purchase of the product on promotion (Blattberg and Neslin, 1990). Many research findings suggest that consumers do respond to sales promotions for benefits other than monetary savings viz. joy of getting a good deal, the hedonic value of a free gift etc. (for a comprehensive analysis see Chandon et al, 2000). Some promotions involve immediate expense of efforts at the time of availing promotional offer e.g. early bird incentive, clipping coupons, entering in a lucky draw (sometimes entries for draws can be sent at a later date) etc. Sometimes consumers exert efforts in advance of the promotional benefit viz. registering for frequent flyer programs. Research in behavioral decision theory explicates procrastinating behavior by reasoning that future efforts are substantially discounted (Akerlof, 1991; Loewenstein, 1996). A promotional offer may offer an incentive at future date after the purchase is made with or without any additional conditions. Promotions like price-discounts are instantly received at the time of purchase but the benefits of many promotions arise only at a later date. The winners of contests, sweepstakes etc. are determined much after they have made their purchases. The 'worthiness' of all promotions is not easily determinable e.g. win a dinner with a TV star. Ambiguity also arises when the promotion is attached with many qualifications. Some promotions like lucky draws are risky where in the consumer may not gain anything and finally, in some instances the benefits offered are imprecise e.g. all items with red tags on sale, up to 75% off etc.

A composite scale representing all eight dimensions was developed and presented to 57 undergraduate students. The same scale was used for each of the seven most widely used consumer promotions viz. Coupons, Mail-in-rebates, Lucky draws, free gifts, price breaks, Contests, etc. The popularity of different sales promotions was assessed through literature review and consultations with an expert. The underlying dimensions were then identified by factor analysis techniques. The study also incorporated measures for testing convergent validity and criterion / predictive validity.

Based on the recommended scale development procedures (Gerbing and Anderson, 1988), the data analysis began with checking the dimensionality underlying the attitude towards sales promotions. The procedure undertaken involved factor analysis (both exploratory as well as confirmatory factor analysis), inter-item correlations (across entire scale and more importantly within each facet) and validity tests for criterion and convergent validity. The six components derived by factor analysis have eigen values of more than 1 and collectively they explain 67% of the total variance. All the components have alpha more than 0.6 except monetary benefits, which has alpha of 0.56. To ascertain the criterion validity the correlations between perceived dimensions (six components) and the predicted likelihood of use of that sales promotion were measured. Except Effort-delay (.05 level) all the correlations are significant at .01 levels providing a strong support for criterion validity. Finally, based on the empirical analysis the identified factors are 1) Perceived effort-return benefit, 2) Benefit transparency representing the degree of precision in stating the promotional benefits and the clarity with which the promotional benefits are communicated 3) Non-monetary benefits 4) Effort delay 5) Risk impact and 6) Perceived monetary benefits. We also discuss the explanation and interpretation of these derived dimensions.

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## Affect, Affective Precision, and Primacy Effect in Stock Choices

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### Extended Abstract

The role of affect in everyday decisions has received an increasing amount of attention in recent literature. Espstein's (1996) dual processes describe that we have analytical and experiential systems that are interrelated, and most of the time we use both of the systems to make decisions. Slovic et al. (2002) proposed the idea of the affect heuristic, which states that we often use affect as a shortcut to guide judgment and decision making processes. Zajonc (1980) claimed that all perception contains some affect, and it is capable of influencing the ensuing cognitive process to a significant degree.

However, until recently, numerical information was considered to be processed purely cognitively, therefore, free from affect. A few exceptions exist. Peters et al. (2006) demonstrated that affect can be calculated from numbers and used to guide decisions. Kida et al. (1998) also suggested that affect guides choices that involve numerical information. In their study, they presented two sets of stock information. When asked, about 80% of the participants chose the clearly better firm in the first set, although two firms from the second set were actually better. Combining this with other findings in their study, they concluded that participants chose the best firm in the first set because they did not remember the actual financial characteristics of stocks. Instead, they remembered having a higher affect toward that stock option, due to its clear superiority within its own set. An alternative explanation for this finding, however, is an order effect, specifically, participants may feel greater positive affect and choose the best options in a set presented first.

In our study, we investigated the role of affect in stock choice by replicating and extending Study 3 of Kida et al. (1998).

### Hypotheses

H1a: The majority of participants will choose the best firm in Set A when the options are presented in the same order as those in Kida et al. (1998).

H1b: The majority of participants will *not* choose the best firm in Set A when the sets are presented in a reversed order as those in Kida et al. (1998).

- H2: Participants have significantly higher positive affect toward the best choice in each set.  
 H3a: Affect toward stock choices will significantly predict choices independent of set order.  
 H3b: Affective precision toward stock choices and its interaction with affect will significantly contribute to the prediction of choices above and beyond affect and option order.

#### Method

We replicated the methodology used in Study 3 of Kida et al (1998). As in their study, each of two information sets (Set A and Set B) contained financial characteristics of five firms. The best firm in Set A was far better than the rest of the firms in its own set, and the best firm in Set B was not as clearly the best within its set. However, the best and second best firms in Set B were better than the best firm in Set A.

In our study, half of the participants were presented with Set A first, then Set B (a replication of Kida et al.); the other half of participants were presented with Set B first, then Set A. All participants were then asked to choose their most preferred stock from either set. They also rated their affect and affective precision towards each firm.

#### Results:

Hypotheses 1a and 1b were supported. Although the majority of participants (83%) chose the best stock in Set A when Set A was presented first, only 25% of participants chose the best stock in Set A when Set B was presented first; the remaining 72% chose the best from in Set B.

Hypothesis 2 was supported. Affect toward the best firms in each set was calculated by subtracting the mean of the raw affect ratings toward the rest of the firms from raw affect ratings toward the best firm. Affective precision was calculated in a similar manner. Participants had significantly higher positive affect and affective precision toward the best firms in Set A and Set B compared to affect toward the average of the rest of the firms.

Hypotheses 3a and 3b were also supported. Logistic regression indicated that affect and the order in which information sets were presented significantly predicted choices. Our new construct, affective precision, and its interaction with affect significantly contributed to the prediction of choices above and beyond the affect and primacy effects. These findings indicate that people developed higher affect and affective precision within the local context of each set and that they used their affect to guide their decisions.

#### Conclusion

Over the last couple of decades, research has demonstrated that decision makers use affect to guide decisions: to decide where to go to vacation or which car to buy. However, numerical information in decisions is still thought to be processed very cognitively. Results of our study demonstrated that people develop affect not only to events, persons, and material objects, but also to numbers. Decision makers appear to draw affective meaning from numbers and to use this affect to guide their decisions. They may be even more likely to rely on affect when information is unavailable at the moment of choice and they have to make decisions from memory. Our findings can also be applied to many other decisions that involve numerical information, such as prices, nutritional facts about food and drinks, and drug information.

Our study also suggests that people are very susceptible to primacy effects with numerical information. This may be because once people develop affect toward a particular option, they tend to stick with it. Therefore, they are not very open to other choices. Further investigations are needed for clearer explanations. Affect's role in judgments and decisions that involve numerical information is ubiquitous in everyday decisions. Yet, not many studies have been done on this topic. It is important to understand how people rely on affect to make choices and decisions so that we can facilitate better choices and decisions among managers and consumers.

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## The Role of Emotional Attachment in Consumers' Responses to Service Changes

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#### Extended Abstract

Consumers are often faced with changes to services they consume; their ability to adapt to changes is moderated by their emotional attachment to the service. We explore the following research questions: (1) What is the relationship between a consumer's emotional attachment and the level of human interaction the service provides? and (2) How does the level of emotional attachment to the service influence a consumer's satisfaction, word of mouth, and repurchase intentions, in response to service changes?

For consumers, the "human interaction" element is an important service factor (Zeithaml and Bitner 2003). The level of human interaction consumers receive from services ranges from higher levels (e.g. financial advising) to lower levels (e.g. ATMs) (Schmenner