Anticipating a regrettable purchase

Implications of erroneous affective forecasting for marketing planning

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Abstract

Purpose – The purpose of this paper is to present the concept of consumers' erroneous affective self-forecasts, and discuss the implications of such forecasts for consumer purchasing behaviour and marketing planning.

Design/methodology/approach – First, the literature on inaction inertia – the lowering of the likelihood that a bargain will be taken once a better bargain has been missed – is reviewed. Second, the literature on affective self-forecasting is reviewed. Finally, the implications that the authors synthesis of the behavioural evidence carries for marketing are discussed.

Findings – The inaction inertia literature implicates the regret that consumers associate with purchasing a discounted item once they have missed a much larger discount on it as a major contributing factor to consumers' unwillingness to purchase the item on the second occasion. The literature on affective self-prediction suggests that regret (and other emotions) is systematically mispredicted.

Research limitations/implications – The likely effect of erroneously anticipated regret in inaction inertia situations is depressed purchasing behaviour. The paper argues that because affective anticipations are typically erroneous, their impact on consumer decision-making processes cannot be deemed rational. It is proposed that marketing should intervene to either increase the accuracy of such anticipations, or to lead consumers to discount them.

Practical implications – Price promotions can have negative side effects, such as those observed in inaction inertia circumstances. To some extent, these are driven by consumers anticipated regret (and possibly other relevant emotions). Marketing techniques can counteract the disproportionate impact of such emotions.

Originality/value – The paper offers a synthesis of behavioural evidence on inaction inertia and affective self-forecasting – two quite separate literatures that have yet to be brought together in the present context. In addition, the paper outlines implications for marketing and suggests possible strategies to moderate the discussed effects.

Keywords Consumer behaviour, Pricing, Advertising, Decision making, Sales forecasting

Paper type Conceptual paper

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Introduction

Bob is a 26-year old junior business consultant, too busy to have much free time to spend on hobbies. However, he does enjoy spending time in the gym and he holds a monthly subscription. Last month, Bob found in the mailbox a leaflet, distributed by his gym. According to the leaflet, the gym was offering a discount scheme to its members. In order to take advantage of the scheme, Bob had to pop in the gym some time in the following week and fill in an application form. A coupon would then be mailed to his home address, which would enable him to pay an annual membership fee reduced by 40 per cent. Bob quite liked the idea and he made a mental note not to forget about it. However, Bob was unable to go to the gym that week and forgot about the discount coupon until the next time he went, a couple of weeks later. By then the offer had expired. A couple of months later, as Bob was entering the gym, he saw a big poster announcing a new discount scheme for members, offering 10 per cent reduction in the annual membership fee. Bob decided not to take the offer. Taking it would have reminded him constantly how much more money he could have saved if he had taken the earlier 40 per cent discount and it would make him regret his past inaction. Regret is certainly not an emotion Bob likes to subject himself to.

This vignette exemplifies consumers' responses to price promotions that happen both regularly (e.g. during sale periods) and irregularly (e.g. limited period in-store offers). Our aim in this paper is to discuss the role of emotional factors in the explanation of consumer choice in situations similar to the one described above and to delineate the potential implications for marketing practice. Marketing managers need to understand the factors that drive consumer responses to sales promotions, in general, and price promotions, in particular. This is important in order to enhance the effectiveness of promotions and, most importantly, to prevent any negative carry-over effects on the promoted brand(s). Why did Bob decide against taking the discount on the second occasion? Budget constraints and the affordability of the two options cannot account for Bob's choice in this example. Indeed, it appears that Bob chose the option that left him worse off financially. Our starting point here is that, in situations such as that exemplified by the vignette, consumers' purchasing behaviour cannot be explained by their budget, information, or time constraints.

If such factors do not account for consumers' behaviour, then are there other factors that offer a conceptually viable and practically useful alternative? We argue that decision-related emotions that consumers associate with purchasing or not purchasing a product or service exert considerable influence on consumer behaviour over and above that exerted by other factors. In our starting vignette, the regret that Bob associated with joining the discount scheme on the second occasion led him to decide against doing so. Marketing practitioners (and indeed consumers themselves) often find such emotional influences baffling – especially in situations in which they do not appear to be financially beneficial. Taking this perspective, another point that we make here is that emotional influences can only be justified to the extent that consumers' judgements of their future emotions are in line with their actual post-purchase emotional experiences.

The rest of the paper is organised as follows. In Part I, drawing on behavioural research on anticipated post-decisional emotions, we consider how consumers faced with a situation such as that described in our opening vignette are driven by a motivation to minimise any unpleasant feelings that are associated with the process of choice *per se*. The focus is on the regret that consumers associate with purchasing or not purchasing an item once they have missed an opportunity to purchase it at a discounted price. In Part II, we review empirical evidence that demonstrates that, when people forecast the emotional impact of future events or of the outcomes of their choices on their subjective happiness, they typically produce exaggerated forecasts. In the conclusions section, we evaluate the impact of anticipated emotions, especially regret, on consumer choice discussed in Part I in the light of the behavioural evidence on affective misprediction reviewed in Part II. We argue that since affective self-predictions are more often than not erroneous, their impact on purchase decisions should be lessened. We discuss possible ways in which marketing can intervene to moderate these effects and thus enhance the effectiveness of price promotions.

Part I: anticipated regret in consumer choice

When people choose between decision alternatives they often consider how they will feel about the outcomes of each of the alternatives. People consider both negative feelings, such as regret and disappointment, and positive ones, such as rejoicing and elation. In particular, a great deal of research has shown the pervasive role of regret in choice situations (Connolly and Zeelenberg, 2002; Connolly and Butler, 2006; Tsiros and Mittal, 2000). Regret is a counterfactual emotion. People experience regret when they think about "what might have happened" if they had made a different choice. When the comparison between the actual choice and its counterfactual alternative favours the foregone choice people experience regret. In contrast, when this comparison favours the actual choice over the counterfactual one, people experience rejoicing (Landman, 1993; Zeelenberg *et al.*, 1998). Such counterfactual comparisons, jointly with the actual value of the decision outcomes and the likelihood of occurrence of both obtained and counterfactual outcomes, determine people's post-decisional satisfaction with their choices (Mellers *et al.*, 1997).

In consumer decision making, the anticipation of post-choice regret looms especially large in situations in which consumers face a bargain after they have already missed an even better opportunity to purchase an item at a discounted price – such as that exemplified by our opening vignette. For instance, Tykocinski *et al.* (1995) presented their participants with scenarios describing an offer to buy a ski pass at the discounted price of $90 instead of the original price of $100. A group of the participants received the additional information that they had already missed a ski pass on offer for $40. Another group were told instead that they had missed a ski pass on offer for $80. When Tykocinski and her colleagues asked their participants to state how likely they would be to buy the pass, they found that participants who had missed the $40 bargain were less likely to buy the $90 pass than those who had missed the $80 bargain (Tykocinski *et al.*, 1995, experiments 1 and 3). In other words, the bargain that participants had missed in the past determined the likelihood that they would take a current bargain for the same product. The larger the discrepancy between the current and the missed opportunity, the less likely participants were to take the current one. Tykocinski *et al.* (1995) coined the term inaction inertia for this phenomenon.

Inaction inertia has been empirically demonstrated in a range of consumer purchasing decisions. These include the following:

- purchasing a ski pass (Arkes *et al.*, 2002; Tykocinski *et al.*, 1995);
- purchasing a new car (Tykocinski *et al.*, 1995);

- joining a frequent flyer programme (Tykocinski *et al.*, 1995);
- joining a fitness centre (Tykocinski *et al.*, 1995; Zeelenberg *et al.*, 2006);
- renting an apartment (Tykocinski and Pittman, 1998);
- doing shopping (Tykocinski and Pittman, 1998);
- purchasing a holiday package (Tykocinski and Pittman, 1998);
- purchasing shoes (Arkes *et al.*, 2002; Kumar, 2004);
- purchasing washing machine detergent (Zeelenberg and van Putten, 2005);
- purchasing alcoholic drinks (Zeelenberg and van Putten, 2005);
- purchasing a couch (Zeelenberg *et al.*, 2006); and
- purchasing a college textbook (Sevdalis *et al.*, 2006).

In addition, inaction inertia has also been documented in a computer simulation of a stock-market (Tykocinski *et al.*, 2004). Although, the majority of the studies focused on financial aspects of the products or services to be purchased, inaction inertia has also been documented using non-financial attributes (such as, for instance, the distance of a fitness centre from home (Tykocinski *et al.*, 1995; Zeelenberg *et al.*, 2006).

What is the trigger of inaction inertia effects on purchasing behaviour? Tykocinski and Pittman (1998, 2001) have suggested that the effect is driven by consumers' motivation to minimise post-purchase regret. When consumers are faced with a large difference between a previously offered bargain and a more recent one, they are put off purchasing the item because they expect that such a purchase will trigger unpleasant feelings of regret about the initial failure to buy the item. In other words, people feel that the second opportunity, if taken, will function as a constant reminder that a better one has already been missed. Such a reminder is unpleasant, since it triggers feelings of self-recrimination (i.e. I am an incompetent decision maker). Such considerations do not arise when the difference between the two bargains is small. Because the previous and the current offers are similarly priced, consumers do not anticipate regret if they take the current deal – hence they are more likely to purchase the item.

The regret-based account of inaction inertia has received empirical support. In an early demonstration, participants in an experimental inaction inertia situation spontaneously mentioned the regret that they would experience, if they bought a sale item after they had missed a much better sale on the same item (Tykocinski and Pittman, 1998, experiment 4). Tykocinski and Pittman (2001) provided more support for the regret account of inaction inertia by ruling out the possibility that decreased likelihood to purchase the discounted item on the second occasion is triggered by just perceived contrasts between higher and lower prices of the same item (more pronounced contrast in the case of the larger missed bargain; less pronounced contrast in that of the smaller missed bargain). Sevdalis *et al.* (2006) investigated directly, the contribution of the regret that consumers think that they will experience if they do and if they do not purchase a previously discounted item at a higher price in two studies, in which they asked participants to rate all their possible regrets (regret experienced because the first best deal has been missed; regret anticipated if the subsequent deal is taken; and regret anticipated if the subsequent deal is foregone). These studies furnished support for the notion that consumers in inaction inertia situations do anticipate their post-purchase regrets and that, in addition, these regrets contribute to the shaping of the product purchasing decision (Butler and Highhouse, 2000). From a different perspective, Kumar (2004) found that regret contributes to inaction inertia in situations in which consumers compare themselves with a referent other (in other words, when people look at others' past actions or inactions before deciding what they will do at present).

Taken together, these findings suggest that regret is a major contributing factor to inaction inertia[1].

Part II: inaccuracies in regret forecasting

The research that we have so far reviewed suggests that anticipated post-decisional regret is an important determinant of consumer choice in the context of consecutive price promotions. In other words, the regret that consumers think they will feel as a result of their decision to purchase or not an item or service affects their decision to purchase that item or that service or not. How accurate are such regret forecasts? Simply put, when consumers think that they will regret purchasing an item on sale when they have already missed a better sale opportunity on the same item, how closely does their eventual affective experience match their affective prediction? In this part of the paper, we first review empirical evidence that shows that forecasts of regret are typically erroneous. We then describe the main theoretical accounts that have been put forward to explain the mispredictions. We conclude by applying the accounts to our opening vignette.

Although, regret has been implicated as an important emotional input to people's decision making (Connolly and Zeelenberg, 2002; Connolly and Butler, 2006; Tsiros and Mittal, 2000), empirical evidence regarding the accuracy of regret self-forecasts is scarce. In a recent set of studies, Sevdalis and Harvey (2007) compared participants' predictions of the regret that they thought they would experience if they failed at a negotiation task with the regret that they actually experienced when they failed at it (study 1). Regret was overpredicted. Similarly, erroneous predictions were obtained in another study, in which student participants predicted the emotions that they would experience when they received their marks for a class assignment (study 2). In this study, students overall underpredicted their performance, so that their actual marks were higher than what they had expected. Importantly, for our purposes here, students also overpredicted the rejoicing and marginally underpredicted the regret that they experienced when they learnt their marks. In another set of studies, Gilbert *et al.* (2004) compared the regret that a group of "forecasters" thought they would experience if they lost a contest with the regret that a group of "experiencers" reported when they were led to believe that they had lost that contest (study 1). Gilbert and his colleagues found that the forecasters overrated the experiencers' regret. Similar findings emerged from two additional studies, in which commuter forecasters overrated the regret that commuter experiencers reported after missing a train (studies 2 and 3a). Taken together, these findings suggest that people systematically mispredict their regret.

Affective mispredictions are not confined to regret. Other emotions are also mispredicted. For instance, Mitchell *et al.* (1997) asked American participants who had purchased a trip to Europe (study 1), or were going on a three-week bicycle trip to California (study 3) how pleasant they thought their trips would be. In both studies, the holiday-makers overpredicted the amount of pleasure that they later experienced. Another study has furnished evidence that people mispredict very basic, consumption-related feelings of satisfaction. Kahneman and Snell (1992) asked participants to predict how much they would enjoy a serving of ice-cream, a serving of yoghurt, or the experience of listening to a particular piece of music after experiencing these items every day for a week. Participants overpredicted how much their liking for these consumption goods would decrease towards the end of the consumption period. In other words, participants erroneously predicted a satiation effect. In yet another study, Wilson *et al.* (2000, study 3) asked American football fans to predict what their emotional reactions would be when they found out if their favourite football team had lost or had won a game that was taking place two months later. Wilson *et al.* (2000) asked the fans how they felt after the game was played and found that fans whose team had won were less happy than they had anticipated and that those whose team had lost were less unhappy than they had anticipated.

Why do people find it so hard to predict accurately how they will feel in the future? Knowing the mechanism(s) that trigger affective mispredictions is an essential first step for understanding the impact of such mispredictions on consumer decision making. Loewenstein and his colleagues reviewed empirical evidence that shows that people consistently and across a variety of domains underestimate their ability to adapt efficiently to new circumstances (Loewenstein *et al.*, 2003; van Boven and Loewenstein, 2003). As a result of this underestimation, people exaggerate the impact of positive and negative future events on their overall well being. The underprediction of adaptation and the accompanying overestimation of the impact of future events on one's well being are instances of what Loewenstein and his colleagues termed a projection bias: people are biased in the way they project their emotions. This bias underlies the empirical demonstrations of people's poor predictions of how well they will cope with future events of either a pleasant or an unpleasant nature – including their own purchasing- and consumption-related decisions.

Not only do people underpredict how fast they will adapt to future unpleasant or pleasant circumstances because of the projection bias, but they also rely on lay theories about how their emotions and preferences will evolve across time when they generate these self-forecasts. For instance, a lay theory might hold that continuous consumption of a good will eventually lead to a decline in the consumers' liking for it. On the basis of such a theory, consumers might predict that they will come to hate a serving of ice-cream after having had one every day for a week. It follows that, if the lay theory that is used to guide the forecasts is not correct, these forecasts are likely to be incorrect too (Kahneman and Snell, 1992).

Finally, some empirical evidence suggests that, when people predict what their emotions will be after they have done or consumed something in the future, they focus too much on this focal event or instance of consumption. This has been termed focusing illusion or focalism (Schkade and Kahneman, 1998; Wilson *et al.*, 2000). Because of the focusing illusion, people typically fail to take into account other future occurrences that will coincide with the focal one and that are likely to distract people's attention from it. When the focal event actually occurs (e.g. when people go on a holiday trip planned a few months in advance), it is surrounded by unrelated occurrences which function as distractions from it and which moderate its affective impact.

The biases and illusions that we have discussed in this section are subtly different from each other but can have similar effects. To show this, let us bring them together in the context of our opening vignette. In the light of the research summarised above, Bob's forecast of the regret he would experience if he took the worse subscription offer is likely to be an overprediction. Bob's misjudgement of his future regret could be attributed to any of the three underlying causes of affective mispredictions that we discussed. First, Bob may have overlooked the fact that taking the second offer may trigger regret immediately afterwards, but the initial bad feeling would probably wear-off soon after the purchase materialised. Thus, the misprediction can be explained by the projection bias. Second, Bob may have based his choice not to take the second offer on the lay theory that "taking an offer after having missed a better one on the same item makes one feel incompetent". This theory, however, might have been erroneous or subject to qualifications. Finally, Bob may have focused too much on taking or leaving the second opportunity, thereby neglecting the fact that this decision was one among dozens of others he had to make on a daily basis and, most likely, not the most important one. This would be an instance of the focusing illusion.

It is likely that more than one of these factors led to an inflated judgement of post-purchase regret, which in turn influenced Bob's decision not to take the second offer. Together, with his financial constraints (i.e. his regular budgeting of exercise expenses), these factors shaped his choice.

Conclusions

Our aim in this paper was to review evidence from behavioural science on the impact of affective self-forecasting on consumer decision making before we discuss the implications of this impact for marketing planning. We focused on affective self-predictions in the context of missed promotional offers. Marketers use price promotions, in the form of direct discounts, coupons, bonus packs, refunds, and others, with increasing frequency. This is especially true in the case of undifferentiated, mature product categories, with low potential for primary demand growth and with little ground for advertising to build on (Dekimpe *et al.*, 2005; Papatla and Krishnamurthi, 1996). Despite positive effects on short-term sales volume, price promotions can also have negative side-effects on consumer decision making – including increased price sensitivity, brand switching (Jedidi *et al.*, 1999; Mela *et al.*, 1997; Papatla and Krishnamurthi, 1996), and inaction inertia (Tykocinski *et al.*, 1995).

Inaction inertia is the term that has been used to describe consumers' reluctance to purchase a discounted item once they have missed a larger discount on it (Tykocinski *et al.*, 1995). This behaviour is irrational: a decision to purchase an item now should only be based on future prospects and not on a missed opportunity in the past. However, it appears that consumers who find themselves in such situations anticipate that they will be experiencing post-purchase regret if they buy the item, and thus, in an attempt to shield themselves from this negative emotion, their likelihood of actually making the purchase diminishes (Sevdalis *et al.*, 2006; Tykocinski and Pittman, 1998, 2001). Such regret anticipations are not accurate: behavioural evidence suggests that people mispredict their future regrets (Gilbert *et al.*, 2004; Sevdalis and Harvey, 2007).

The phenomenon of inaction inertia and the role of erroneously forecast post-purchase regret in its occurrence carry important implications for marketing management and planning. First, they imply that any arbitrary use of price promotions may have a direct detrimental effect on future sales. This effect might reveal itself immediately or soon after an offer is withdrawn, i.e. where the consumer compares the normal product price with the withdrawn offer, leading to increased price sensitivity. Most importantly, a detrimental effect might occur in the case of future price promotions, if such promotions do not match up a previous offer, i.e. where the consumer compares the current offer with the withdrawn offer, overpredicts his/her post-purchase regret and is led to inaction inertia. Furthermore, promotions can harm the brand by brand switching. Consumers might interpret promotions as an indication that a product is overpriced and prefer to switch even if the missed offer is larger or equal to the price of the alternative brand (Zeelenberg and van Putten, 2005). In all these cases, the behavioural evidence that we reviewed in Part I indicates that consumers who recall the missed offer and (erroneously) anticipate regretting the current purchase are more likely to postpone it, or to select an alternative brand.

How can marketing intervene in the affective mechanisms that drive purchase decisions in inaction inertia circumstances? Marketing techniques can be employed to either increase the accuracy of self-forecasts of regret (and, possibly, of other emotions related to purchase decisions), or to make consumers discount the anticipated regret associated with a specific choice. Different elements of the marketing mix can be used to achieve these goals. For instance, at the end of a price promotion, advertising can support the benefits of the brand, reduce the intensity of anticipated regret and influence brand choice. In addition, advertising can contribute to switching the reference point of the comparison from the missed offer to the price or other features of competitive brands (e.g. by pointing out that the normal price of the focal brand is the lowest in the category, or that it is worth a premium price). Moreover, research indicates that when a sales promotion is presented as a one-off opportunity (e.g. due to some special event, anniversary, etc.), consumers subsequently tend to focus less on it and are less influenced by potentially missing it (Zeelenberg *et al.*, 2006).

Successive price promotions should be carefully planned so that their effectiveness is not undermined by cross-comparisons. One way to achieve this is by using different types of purchase incentives. For instance, a missed high-value price discount is not easily compared to a lower value bonus-pack promotion. In an experimental study, Smith and Sinha (2000) showed that the framing of price promotions affects consumer preferences even when the offered deals are equivalent. Furthermore, research that we are currently conducting indicates that anticipated regret and, consequently, inaction inertia are reduced when consumers are encouraged to focus their decision making on the gain from the lower value current promotion, rather than on the (perceived) “loss” from missing a higher value previous offer (Sevdalis *et al.*, 2007).

The issues discussed in this paper and their implications should be taken into account in the planning of price promotions and marketing activities that surround them. It is evident that consumers’ anticipated affective responses can influence purchase decisions in non-rational ways. It is important therefore that the size, type and sequence of price promotions, as well as the nature and timing of other promotional activities, are carefully planned, so that the increase in volume brought by any specific price promotion is not outweighed by a subsequent sales drop or the loss of consumer goodwill.

Note

1. More behavioural research is currently underway regarding the exact contribution of regret in inaction inertia (Sevdalis *et al.*, 2007; Arkes *et al.*, 2002; Zeelenberg *et al.*, 2006).

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