

# To Justify or Not to Justify: The Role of Anticipated Regret on Consumers' Decisions to Upgrade Technological Innovations

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## Abstract

Prior research suggests that adoption decisions are primarily based on product features and experiential opportunities, like trial and observation. Our research follows inquiries that identify anticipated regret (AR) as an emotion integral to consumer decision making. Prior research and current retailing practice assume that AR can be alleviated by compelling product attribute-based rationales for immediate purchase. These rationales often take the form of direct attribute comparisons between the current best and the future technologies. Counter-intuitively, we find that giving consumers attribute-based justifications for immediate purchase produces a uniform level of AR and purchase delay regardless of the perceived rate of innovation (PRI). However, under conditions of low PRI and no justification, AR decreases significantly. A clear implication of our findings is that firms marketing current technology should not rush to provide consumers with justifications for immediate upgrade since such communications will remind consumers of what they might miss if they adopt now, resulting in increased AR and purchase delays. Instead, we suggest that retailers focus promotional efforts on highlighting the hedonic benefits consumers experience by adopting today.

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## Introduction

The pace of technological change and consumers' insecurity about purchasing products in technological flux put considerable pressure on retailers charged with rapidly evolving strategic inventory and promotions decisions (Davidow 1986). The life spans associated with technological products are condensing and technology obsolescence, or 'tech rot', is a growing concern among consumers and firms struggling with technology adoption decisions (Slade 2006). Products like the iPhone are anticipated far in advance of availability and consumers face decisions to wait for the iPhone or buy another smartphone now. These decision scenarios to adopt technology or wait for amazing upcoming new technologies are becoming prevalent, even commonplace (Lomberg 2009), causing considerable consumer distress and spawning a whole new corporate area, Technology Obsolescence Management (Bogdanski and Downey 2009). Retailers involved in promoting and selling high technology

products must understand how consumers approach purchase decisions under varying degrees of market uncertainty.

From the consumer perspective, the marketing literature has established that adoption timing is largely based on a product's attributes and promised benefits relative to existing products (Moreau, Lehmann, and Markman 2001). More recent research also indicates that product characteristics and positioning affect willingness to upgrade (Okada 2006). Whereas prior literature mostly focuses on product features as the basis for upgrade decisions, we suggest that decision making in a fast evolving context can generate considerable affective responses which play significant roles in adoption decisions. Emotion experienced during a retail visit has been shown to affect both choice and outcome (Dawson, Bloch, and Ridgway 1990; Mano 1999). Along this line of thinking, we propose that consumers new to a product category, or who lack sufficient knowledge of technology developments, are most susceptible to their affective responses during retail shopping situations. Our approach is analogous in spirit to recent research into the role of affect during critical phases of technology diffusion (e.g., Laros and Steenkamp 2004; Mick and Fournier 1998; Wood and Moreau 2006).

We present a conceptual model that suggests that a rapidly evolving technological environment can produce an affective

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response in potential adopters, namely anticipated regret (AR) about missing out on future technology. Anticipated regret is the psychological effect of various worries that beset a decision maker before any losses actually materialize (Janis and Mann 1977). It is often thought of as an uncomfortable emotion that causes people to think more elaborately (Zeelenberg 1999) and preempts or delays a behavior (Beach and Connolly 2005). For our purposes, this behavior of interest is purchase. We show that AR is greater under conditions of high perceived rate of innovation (PRI), or when the technology is perceived to be developing rapidly, as opposed to less ambiguous market conditions where technology is perceived as rather stable.

Without justification for immediate purchase, we predict that AR will rise as PRI increases. However, counter-intuitively, we predict that giving consumers justifications for immediate purchase produces an elevated level of AR regardless of PRI. This is because the mere presence of a justification can cause consumers to rethink the decision, which worries them (increasing AR) irrespective of what they think the actual technological environment to be. This in turn leads to decision avoidance or delay in upgrade decisions.

#### *Perceived rate of innovation*

Whenever new technology is introduced, it provides new opportunities for firms and alters how consumers perceive the marketplace (Padgett and Mulvey 2007). We use the term perceived rate of innovation (PRI) to refer to the rate at which consumers perceive technological conditions are changing in the marketplace. PRI varies greatly among technology categories; for example, information technology experiences a much more rapid rate of change than do household appliances. The rate of such changes has been cited as one of the primary reasons why consumers are slow to adopt computers in the home (Venkatesh and Brown 2001). In a sense, ever-accelerating changes in technological conditions make product adoption a difficult decision, because consumers are never sure if the next wave of technologies is just beyond the horizon. In Mick and Fournier's (1998) paradoxes of technology framework, this uncertainty is referred to as the new–obsolete paradox, which describes consumers' fear that whatever new technology they buy will soon be leapfrogged in the marketplace by subsequent innovations. As a consequence, the new–obsolete paradox prompts feelings of conflict and ambivalence that lead to anxiety and stress about adoption decisions. Consumers experience this paradox across many product classes, but it is most acute in high-tech markets particularly for consumers new to the category where they cannot accurately gauge the pace of technological change.

Thus, the question becomes whether consumers are capable of forming perceptions of PRI and whether they actively consider the rate of innovation change in their adoption choices. Holak, Lehmann, and Sultan (1987) provide empirical evidence that, for technological products, consumers can articulate their expectation of greater product improvements and appear to extrapolate linearly in forming their expectations. Furthermore, consumers incorporate their expectations into their behavior, which often results in purposeful adoption delays. Venkatesh and Brown

(2001) also find that consumers delay purchases of the current best technology in favor of future technology when they perceive a high rate of PRI in the product category; however, this evidence does not clarify which factors mediate PRI and delay. In our conceptualization, we propose that when consumers face upgrade decisions with the anticipation of future introductions, they seek to minimize the AR of missing future technology.

#### *Anticipated regret of forgoing future technology*

Regret describes the sense of sorrow or disappointment about something done or left undone (Landman 1987; Simonson 1992). A negative affective emotion arises when people compare the outcomes of a chosen vs. a forgone alternative in conditions of uncertainty and sparse information (Reynolds, Garrestson Folse, and Jones 2006). Put simply, if what I have is not as good as what I could have, I experience regret. For a person to feel regret, the outcomes of the alternatives must be revealed. Although it may seem logical to argue that some feedback process must inform the decision maker of the outcomes of different options, research shows that even without feedback or if the decision maker does not receive information about all possible outcomes, regret is still possible because people imagine alternatives to actual outcomes (Gleicher et al. 1990; Kahneman and Miller 1986). When outcome information is not readily available, people mentally generate hypothetical scenarios about the possible outcomes of different choices, or counterfactual thinking. If the expected outcome of the forgone alternative is unfavorable (i.e., better than the chosen alternative), they experience a feeling of regret, though to a lesser degree than if actual outcomes were known (Tsiros and Mittal 2000).

Unlike regret, anticipated regret (AR) refers to the expectation of discontent if choice outcomes were to be revealed. That is, prior to an event or decision, people anticipate potential counterfactual alternatives and their associated emotional cost by mentally simulating the possible outcomes in their mind (Hetts et al. 2000). People anticipate regret because imagining how things “could have been” represents a ubiquitous, pervasive, and intrinsic mode of thought (Roese 1997; Sanna and Turley 1996). Such counterfactual thought generation could be a product of prior choice experiences under uncertainty, which led to negative outcomes. These negative experiences enter people's memories and cognition and inform them not only about what they did wrong but also what they could do right in the future (Boninger, Gleicher, and Strathman 1994; Hetts et al. 2000). When similar choice circumstances arise, including options with unknown future outcomes, anticipated counterfactual thinking serves as an evaluative mechanism by which to judge alternatives closely and thereby minimize regret once their outcomes are revealed.

Before engaging in a behavior people will attempt to maximize the expected utility of their action (von Neumann and Morgenstern 1947). That is, when considering an upgrade, consumers will imagine the cost and benefits of upgrading vs. not upgrading and choose an action such that they derive the maximum utility. However, not all decisions are based on such utilitarian tradeoffs and anticipated regret theory was introduced

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