

Regret to Know? An Investigation of the Effect of Reference Prices on Consumers' Emotions

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Purpose of the Study

The purpose of the research was to provide a better understanding of the impacts of relevant information on consumers' emotions when bidding their prices through an online Name-Your-Own-Price (NYOP) method. Specifically, the study examined 1) whether the availability of reference prices increases consumers' comfort during the price-bidding process; and 2) whether consumers feel more regret about a negative outcome when reference prices are available.

Background and Theoretical Framework

Compared with the huge amount of literature dealing with how people think, and should think, about their decisions (the cognitive domain), the research on how people feel (the affective domain) about the decision process and its outcomes is limited. Regret is the emotion that has received the most attention from decision researchers. The theoretical framework used in this study was the Decision Justification Theory (DJT), a regret model proposed by Connolly and Zeelenberg (2002). According to the theory, the key determinant of the feeling of regret is whether or not a person feels his/her decisions are well justified. The current study aimed to test if the absence of reference price information plays a role in the process of consumers justifying a negative outcome from their decisions and alleviating their feeling of regret.

Methodology

The principal hypothesis of this study was that the availability of reference prices affects consumers' emotions during the decision process and after knowing the outcome is negative. The methods in this study were designed to examine consumers' price-bidding behavior and emotions via a simulated market strategy, that is, the online NYOP method. Two experiments were designed to test three research hypotheses.

Findings

The following conclusions can be drawn: 1) during the price bidding process, consumers feel more comfortable when reference prices are available than when reference prices are not available; 2) when the outcome is negative, consumers feel more regret when reference prices are available than when they are not. Furthermore, subjects feel less regret when an external reference price is presented than when an internal reference price is generated; and 3) when the outcome is negative, consumers feel more regret when their bid fails by a narrow margin than when it fails by a wide margin. In addition, the results indicated that subjects who were more comfortable during the bidding process experienced greater regret when the outcome was negative.

Implications

Consumers must be wary of the fact that incorporating relevant information into decision making may enhance their feeling of comfort with the buying process but may lead to feelings of regret if the decision outcome is negative. Although the current study did not examine the impact of regret on consumers' future purchase behavior, the chances that regret would have negative effects on the relationship between consumers and vendors would be high. Therefore, it is important for consumers to understand how they justify their decision results. The current study does not suggest choosing a seller that provides less information about reference prices as a good strategy, even though the results indicated that subjects felt less regret about a negative decision outcome when no reference prices were available. Finding other ways to help consumers justify a negative decision result and alleviate their regret is therefore as important as providing relevant information to facilitate consumers' decision processes.

Limitations

The current study has several limitations. First, the consequences of consumers' emotions were not addressed. A second limitation related to consumers' emotions in the current study was that only a negative feeling, that is, regret about an outcome, was investigated. Positive feelings related to decision outcomes may be investigated in future studies.

Endnotes

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