

The Effect of Recent Investment Experience on Subsequent Unrelated Consumer Decisions

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ABSTRACT

The present study demonstrates that recent investment failure may affect subsequent unrelated judgment and consumer decisions.

A recent failure may prime a state of prevention focus that triggers a more prevention-oriented choice in subsequent decisions, such as higher purchase intention on car with a strong body structure, higher renting intention on apartment with higher security, and higher preference on toothpaste with more protection. However, a success in achieving previous investment goal does not seem to have this effect.

BACKGROUND

Past studies (e.g. Zou, Scholer, & Higgins, 2014) posit that recent investment outcome has a significant impact on subsequent decision under risk. The motivation of the present research is to find out how recent investment outcome affects subsequent decisions that are not related to financial investment decisions.

According to the regulatory focus theory, individuals are basically guided by two distinct regulatory foci, i.e. promotion and prevention (Higgins, 1997). When the promotion system is activated, people are more sensitive to higher gain and achievement, whereas when the prevention system is activated, people are more sensitive to potential loss and safety.

BACKGROUND

Based on the notion of regulatory fit, decision makers are most likely to have a more positive evaluation on product features that fit with their regulatory focus (Wolfin & Yzerbyt, 2015). Therefore, the individuals in a state of prevention focus are most likely to prefer products with more prevention-oriented features. (Pham & Chang, 2010).

The study predicts that a big failure, which is linked to the prior goal attainment, can prime a state of prevention focus that triggers a more prevention-oriented choice in subsequent unrelated purchase decisions. In contrast, a big success does not have any priming effect.

After a **big failure** in achieving prior investment goal



Investment result: **Loss**
Achieved goal: **No**

In Subsequent Decisions

Consumers prefer

Products with more prevention-focused features



Powerful engine (promotion feature)

vs.

Strong body structure (prevention feature)

Grand and spacious balcony

vs.

solid-steel safety locks



Whitens and freshens teeth

vs.

Prevents cavities and gum disease

EXPERIMENT

A 2 (investment outcome: big success vs. failure) x 2 (regulatory focus of product features: promotion- vs. prevention-focused) x 3 (consumer products: car vs apartment vs toothpaste) experimental design is applied in this study. The investment outcome is a between-subject design, whereas the regulatory focus of product features and consumer products use a within-subject design.

PROCEDURE

Participants were first presented a vignette describing their past investment with a capital amount of RM50,000 and a goal to achieve a return of RM5,000. Thereafter, they were shown a summary of their investment outcome. Participants in the success (**failure**) condition were presented a message that the goal was (**not**) achieved with a total return (**loss**) of RM40,000.

The participants were then asked to make three decisions in either a big success or failure condition. Two options were presented in each task, one with more promotion-oriented features and the other with more prevention-oriented features. The participants were asked to imagine that after knowing their investment outcome, they were considering buying a car, renting an apartment, and choosing a toothpaste.

KEY FINDINGS

A MANOVA reveal that there is a significant main effect of recent investment experience across the preferences towards the three products (Wilks' Lambda = .856, $F(3, 112)=6.267$, $p < .01$).

After a success, individuals' preference for all the three products is close to neutral. However, after a failure, individuals' preference moves towards products with more prevention-focused features. Overall, it suggests that a failure in prior investment goal attainment may trigger individuals' prevention system that increases security, safety and protection concern.

REFERENCES

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Prior Investment



Making other decisions