

# Ownership Alters Learning and Beliefs About Product Attributes

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## Project Overview

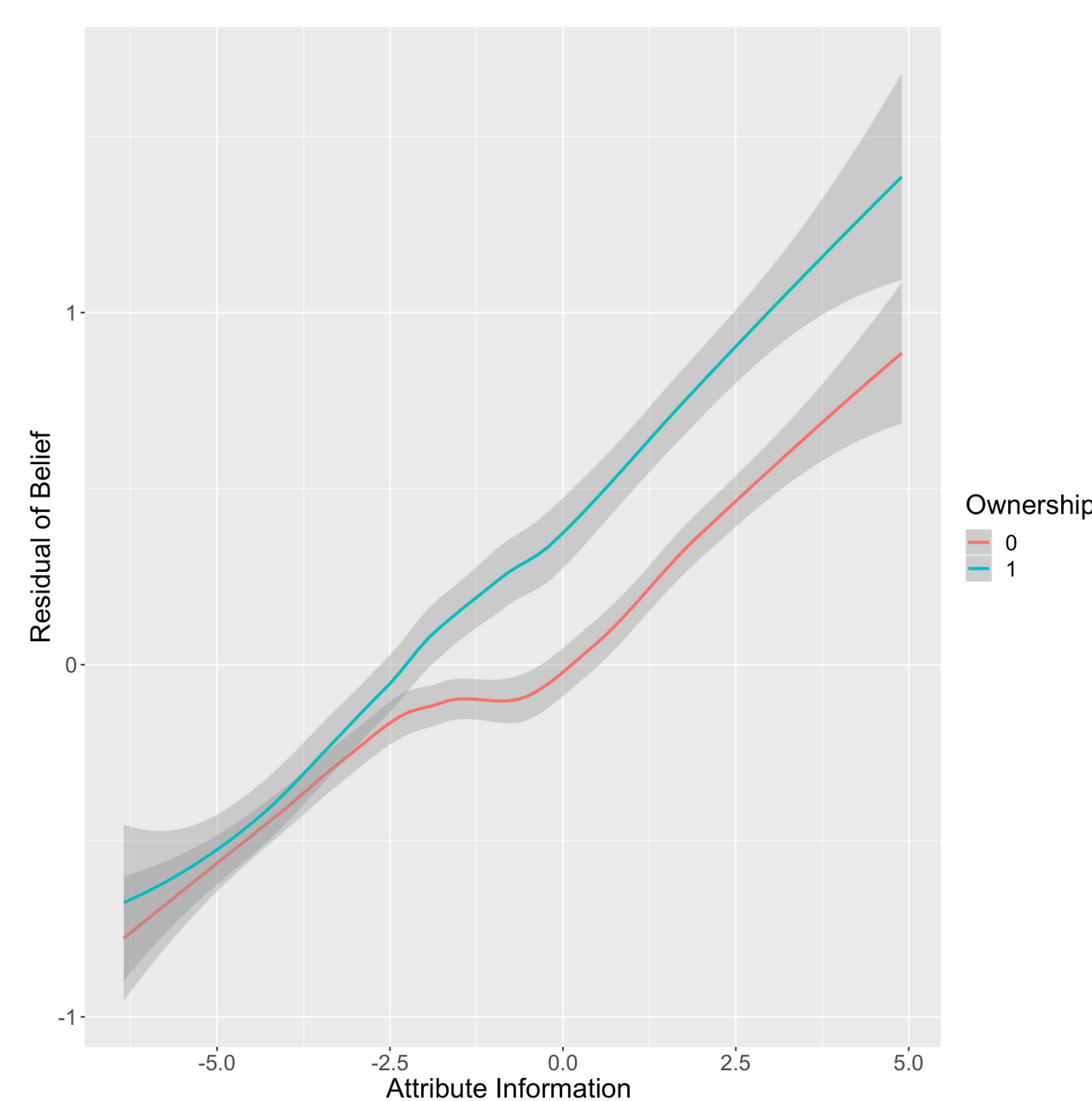
Consumers often make repeated purchase decisions. We investigate the causal effect of initial purchases on subsequent learning about goods within a product category. Across both experimentally controlled and naturally occurring purchase behavior, we show that owners (vs. non-owners) update their beliefs more extremely in response to information. This exacerbates the effects of motivated reasoning in the positive domain, but attenuates it in the negative domain. Examining error in recall, we propose that differential attention to information drives these patterns of updating. We show the biases in beliefs we document can also spillover into subsequent brand judgments. Our results suggest that ownership alters the way information about products and brands is incorporated into beliefs.

## Methods Overview

- Participants select a brand from a set of products with no quality information
- Observe 15 rounds of attribute information about all of the brands
- Report belief about the average attribute for all brands in each round
- Receive bonus for better quality of owned brand and for accuracy of beliefs

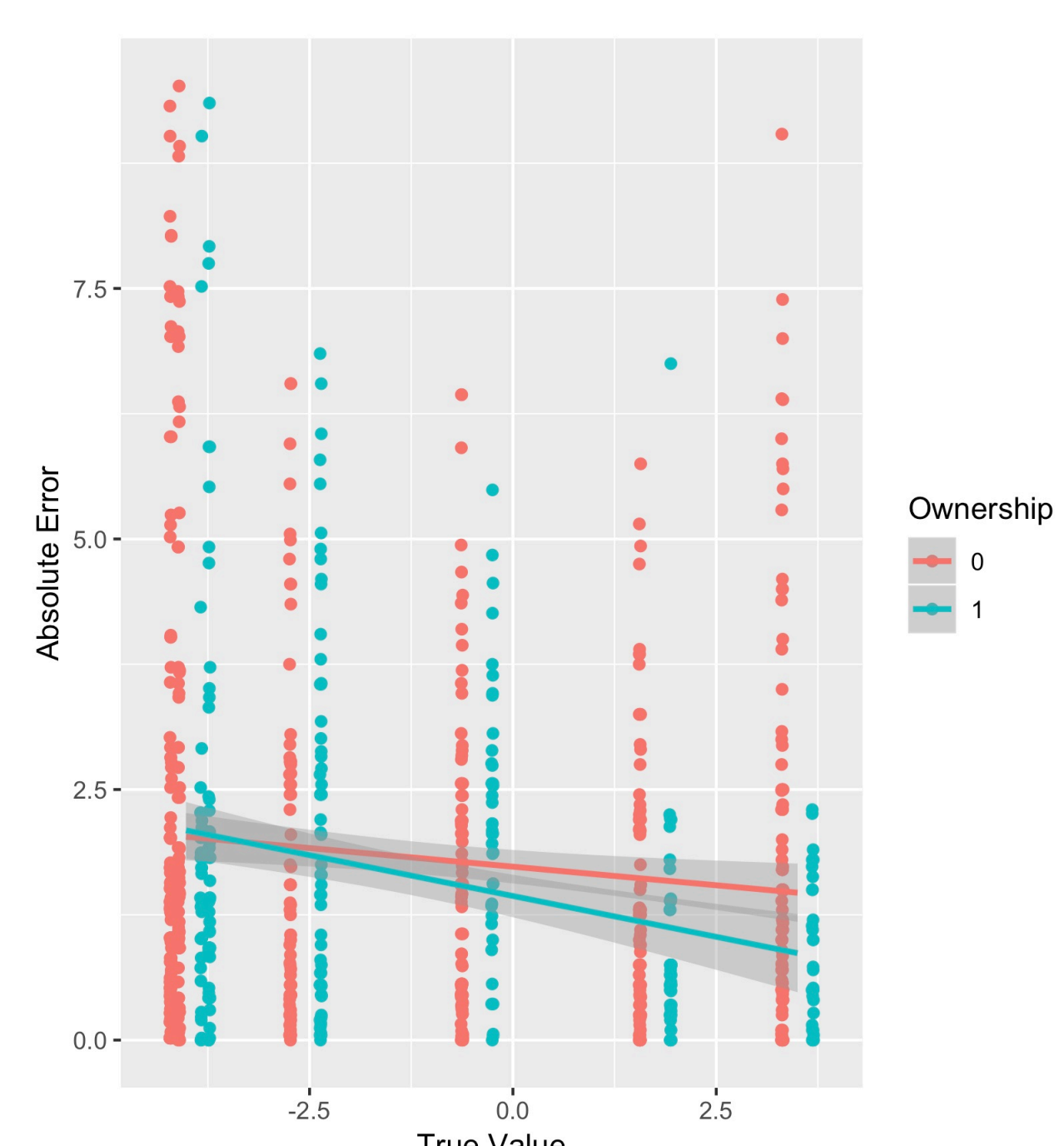
## S1: Owners' Beliefs More Impacted by Information

- Participants (N=294) selected from a set of 3 Brands of Water Filters
- Information about relative to FDA benchmark
- Owners' beliefs don't differ for negative information, but more optimistic for positive



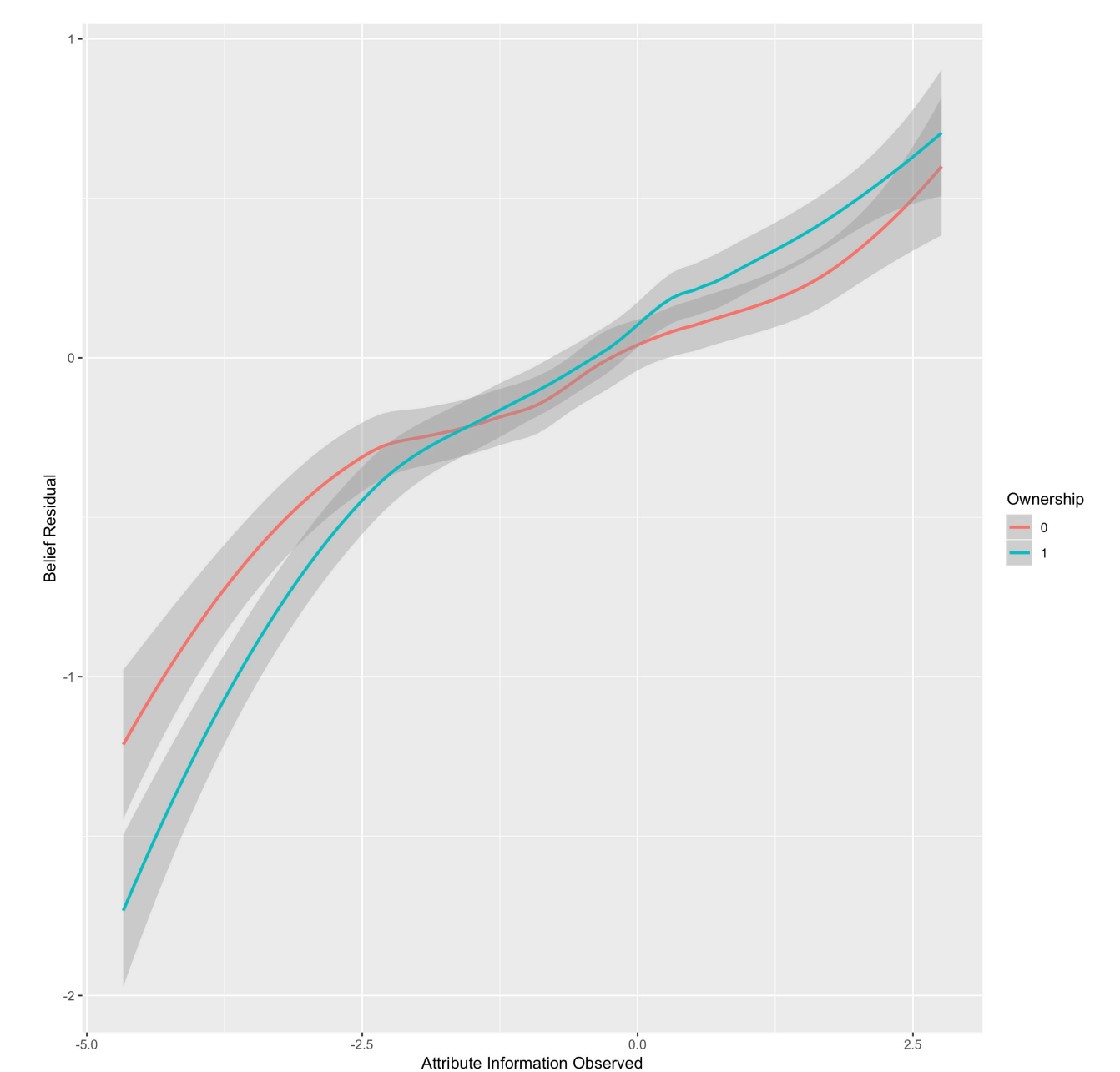
## S1: Error in Recall Mirrors Information Relationship

- Asked participants to recall values for all 3 brands in the previous round
- Randomly assigned to recall in the 5th or 11th round



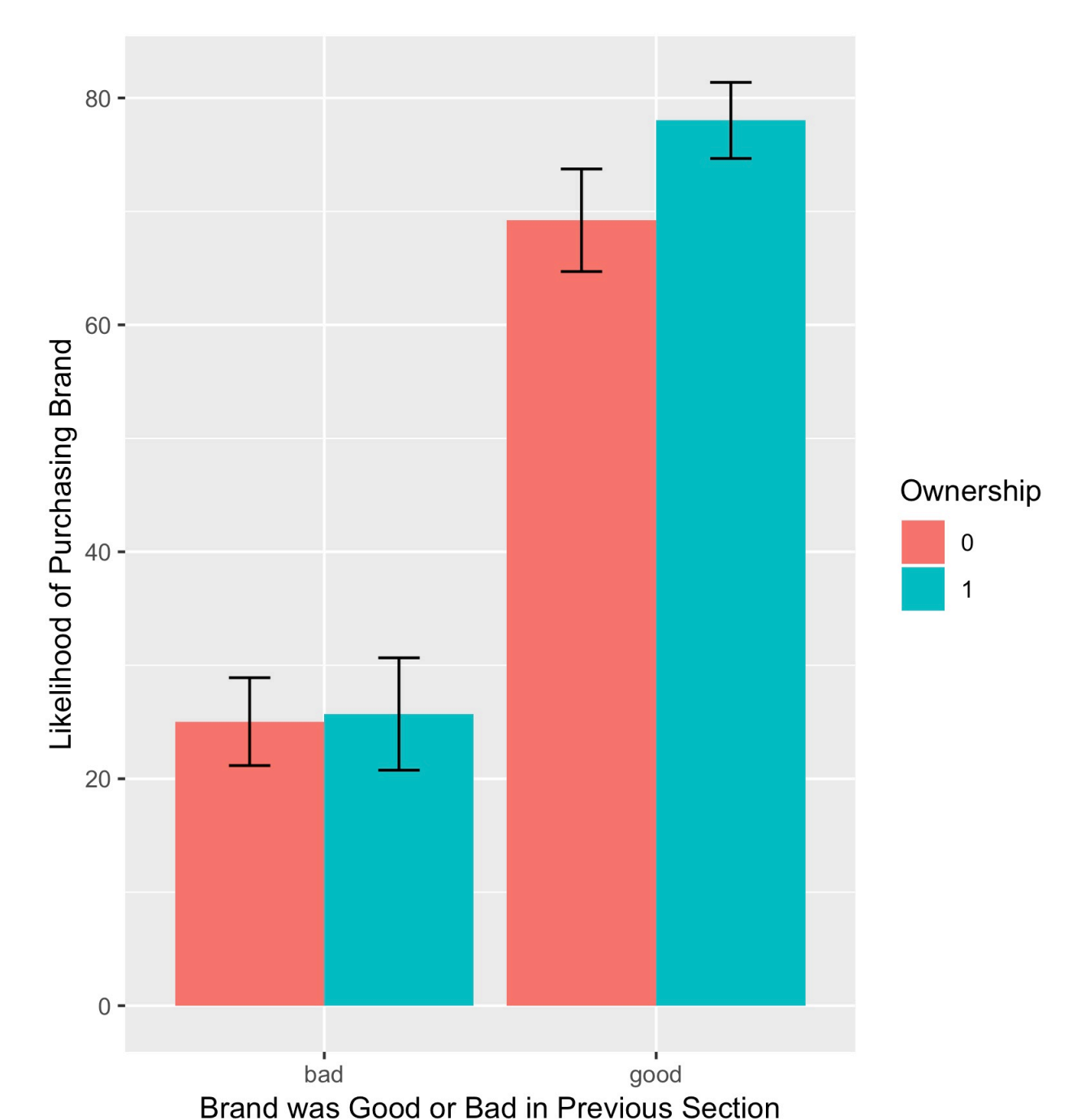
## S2: Owners' Beliefs Can Even Be More Pessimistic

- Participants (N=291) selected from 2 Brands of Water Filters
- Information relative to an FDA benchmark
- Owners' beliefs are pessimistic for negative information, but more optimistic for positive



## S2: Beliefs Spillover Into Subsequent Brand Judgments

- Participants reported their likelihood of purchasing a related product from each brand
- Owners significantly more likely to repurchase for the high quality brand, but not the low quality brand



## Conclusions

- Literature on ownership has mostly focused on preferences (e.g., endowment effect)
- We show that ownership alters learning and beliefs about product attributes
- Owners respond more to new information than non-owners
- Attenuates motivated reasoning for negative product information, but accentuates it for positive information
- Suggestive evidence from recall that attention drives the differences in learning
- Beliefs about brand quality spillover into subsequent repurchase decisions