A Half Full Glass May Seem Fuller than a Half Empty One. Studies on the Influence of Regulatory Fit on Consumer Behavior

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CHAPTER 6

Conclusion

Synopsis

In this dissertation, we focused on regulatory fit as a determinant factor of perceived value that can be subsequently transferred to behaviors of consumers participating in loyalty programs. The overall objective was to examine the impact of regulatory fit on consumer responses to the communication of features of the program, such as rewards and benefits. In order to successfully address this overall objective, four research projects were formulated with their specific goals to fill the gap in regulatory focus research. The objectives of the four research projects were:

- To provide a quantitative synthesis of the research concerning the magnitude of the impact of regulatory fit.
- To empirically test the interaction effect between state regulatory focus and the way the reward is positioned on value perception and consumer subsequent behaviors.
- To assess the relative strength of the trait regulatory focus in studies that manipulates regulatory focus.
- To determine the relative impact of fit effect in comparison to context-specific determinants of variance in value perception.

The four research projects presented in this dissertation can be briefly summarized as follows. In chapter 2 we reviewed the impact of fit effect on consumer behavior in studies that use experimental designs and conducted a meta-analysis study to synthesize and integrate empirical evidence of the fit effect. In chapter 3, we described two empirical studies. In the first study, we examined the fit effect as a determinant of reward perceived value and exercise intention in the setting of a health club loyalty program. In the second study, we tested whether consumer traits specific to the domain of loyalty programs mediate the influence of regulatory foci on reward redemption decisions. In chapter 4, we studied the impact of fit effect in a B-to-B loyalty program designed by a supplier for its retailers participating in the programs. In this chapter, our focus was to study how consumers evaluate uncertainty information regarding reward payoff. Finally, in chapter 5, we study the impact of the fit effect in the context of insurance purchase by building and testing a fit effect model that incorporates a context-specific dominant of perceived value, namely perceived health and financial risk.

In this concluding chapter, we summarize and integrate the findings that have been discussed in each chapter. We end this chapter and dissertation by providing a number of suggestions for future research.
An Integrated Perspective

This dissertation comprises of four independent but interrelated studies that serve as building blocks to answering the research questions. In this section, we discuss several issues that unify these studies and their theoretical and managerial implications.

The Impact of the Fit effect

With regard to the impact of the fit effect on value creation, this dissertation addressed the following topics. First, we examined how consumers’ regulatory foci shaped by priming the concern of the reward, i.e., in terms of promotion or prevention benefits interacts with how the message is communicated, i.e., in terms of gain or loss. Second, we empirically assessed how value created as a result of fit (i.e., value-from-fit) influences reward perceived value. Based on our meta-analysis study presented in chapter 2, the impact of fit effect on consumer decision making varies from moderate to large. This finding empirically substantiates the fact that the fit effect does affect value creation and as such plays an important role as a determinant of consumers’ behavioral intentions, motivation, and judgment. In chapter 3, we examined the influence of the fit effect on the perceived value of a reward in health loyalty programs and consumer behavioral intention (i.e., exercise intention). The regulatory fit is captured by the interaction between type of reward (i.e., promotion-type reward vs. prevention-typed reward) and the way the reward is communicated (i.e., via either gain or loss-framed information). The analytical results of the first study reveal a significant fit effect on perceived value, but not on exercise intention. We found that perceived value mediates the impact of the fit effect on exercise intention. In the second study presented in this chapter, we demonstrated that exercise motives (i.e., approach and avoidance) are proximal constructs that mediate the influence of the distal construct of regulatory focus (i.e., promotion and prevention) on reward choice. In chapter 4, we examined the interaction effect between reward type (direct-mail vs. service training program), type of payoff level (low vs. high) and the way payoff is communicated (i.e., either using verbal vs. numerical information) in the context of business-to-business loyalty programs. The results of the first study revealed that the interaction between reward type and type of payoff level is a determinant factor of perceived value and investment decision. The latter two constructs were found to positively influence loyalty. In the second study, we replicated the finding of the first study. In addition, we also demonstrated that the format in which information is presented makes a substantive difference in consumer perceptions toward the value of a reward. In chapter 5, we examined the influence of the fit effect on perceived value of a health plan and insurance purchase decision. The study in this chapter showed that value-from-fit was created as a result of the interaction effect between regulatory focus concerns and the way the message is framed (i.e., gain vs. loss). This study also demonstrated that perceive value mediates the impact of fit effect on purchase intentions.
Finally, our empirical studies revealed several interesting results. First, fit effect is found to be an influential factor that explains variance in reward perceived value. In chapter 5, we demonstrate that even in the presence of a strong influence of context-specific determinants of perceived value, the fit effect still plays albeit a small, role, i.e., offering additional explanation of variance in perceived value. Second, we revealed that reward perceived value, in turn, influences investment decision leading to loyalty. This result underlines the significant relationship between attitude and behavioral intention, which is indicative of loyalty (e.g., Cronin, Brady and Hult, 2000). Moreover, this finding confirms previous results in RF research that demonstrate that value created from fit can be transferred to consumer’s subsequent evaluations. Third, based on our meta-analysis study, the strength of fit effect is found to vary across research settings. The results of our empirical studies seem to corroborate this finding, as there were differences in the path coefficients associated with the fit effect and as well as in the proportion of variance in the perceived value (R-square) that was accounted for by the fit effect. Therefore, given that fit effect has a significant impact on consumer decision making, therefore, managers should take the fit effect into account in positioning rewards as a strategy for attracting new customers and retaining existing ones.

The Role of Domain Specific Constructs

Previous RF research has mainly focused on the influence of the fit effect on consumer responses without taking the effect of substantial constructs (e.g., social and socioeconomic factors) into account, which may explain variance in consumer behavior. In fact, the objectives of many RF studies is to show whether there is additional value created from the fit effect, independent of the value inherently derived from the object of decision-making (Higgins et al., 2003). In order to test this, previous research usually compares responses of participants in fit vs. nonfit conditions. For instance, Higgins et al., (2003) found that participants in the fit condition assigned the price to a mug almost 50% higher than those of participants in nonfit condition. Thus, another contribution of our dissertation is the role of regulatory focus in the presence of domain specific constructs that substantially affect consumer behaviors.

As has been mentioned in the previous chapter, we conclude that there is an influence of the fit effect in the presence of risk perceptions in explaining consumers’ perceived value toward a health insurance policy and consumers’ purchase intention. From a managerial perspective, this result suggests that the fit effect has an impact on consumer decision making because it relates to the details of an insurance policy.

As described in chapter 3, the influence of RF on consumer behavior within health club loyalty programs may not be direct, but mediated by the domain-specific construct of exercise motives. Specifically, we found that avoidance exercise motives mediate the impact of prevention focus strength on the choice of a prevention reward. In this case, RF serves as
distal personality characteristic that is stable and its effect on attitudes and behaviors is indirect, whereas exercise motives are proximal constructs, which are specific to situations and are malleable overtime. From a managerial perspective, this result could help managers tailor specific rewards to different LP members that have different goals as their domain-specific motives are likely to predict their behaviors.

**Assessing the Simultaneous Impact of Trait RF vs. State RF**

In two studies reported in chapter 4, we assessed the impact of state and trait RF simultaneously on participants’ response measures. To the best of our knowledge, so far, there was not one single study in previous RF that examined this issue. In study 1, we found that promotion strength has a significant positive impact on value and investment decisions, whereas prevention strength has a significant negative impact on investment decisions and is insignificant in relation to value. In the study 2 of that chapter, promotion strength was shown to have a positive significant impact on value and investment decision and prevention strength was shown to have a negative significant impact on value and investment decision. Thus, these two studies demonstrated that in addition to the impact to state RF, the trait RF (i.e., either promotion or prevention) may explain additional variances in outcome variables. Our results refute the assumptions frequently made in RF theorizing (e.g., Higgins and Spiegel, 2004), according to which when RF is manipulated situationally, the state RF as a result of the priming would dominate the trait.

**Perspective on Future Research**

In addition to specific recommendations for future research provided at the end of each chapter, this final section introduces a number of general directions for future research on regulatory fit.

To account for the underlying mechanism of value creation in a situation in which people experience regulatory fit, three explanations have been advanced in the literature. First, the concept of ‘feeling-right’ has been well-accepted as one of the underlying mechanisms, namely when fit occurs people will feel right about their choices which in turn, affects their subsequent judgments (e.g., attitude toward an object under evaluation) (Higgins et al., 2003). Second, Lee and Aaker (2004) offered a persuasion-based explanation. They contended that the subjective experience of processing fluency may underlie the fit effect, namely that a high level of fit may lead to more fluent processing of a message, which in turn, influences subsequent evaluations. Their reasoning was that people will digest a message more fluently if the content of the message is consistent with the way they naturally think about the issue. Third, and more recently, the founder of regulatory fit theory, Higgins (2006), advanced the concept of strength of engagement as the explanation of value creation in case people experience fit. According to Higgins (2006), when people experience fit,
their ‘feel right’ feeling makes them engage more strongly in what they are doing. Furthermore, the experience during the engagement will create additional value, which later adds more value to the object being pursued. Future research could explore these routes to value creation, for instance, by building an integrative model involving constructs of processing fluency (e.g., the believability of the message), feel right, strength of engagement, and value.

In our empirical studies that combined state and trait RF, we found that trait RF had an additional influence on attitudes and behaviors. This finding suggests that future research could investigate other trait covariates that might influence variance in consumers' attitudes and behavior in a situation where state RF is induced. For instance, in a recent novel titled Gost by Robert Harris (p. 85, 2007) it is suggested that: “People who succeed in life are rarely reflective”. This seems to reflect the need to control for the personality trait of reactivity (Tett and Burnett, 2003). This construct refers to an individual’s critical evaluation of his/her performance. Thus, the question becomes whether being reflective is more a characteristic of promotion or prevention-focused individuals? This issue is important to consider as members who fail in attaining their goals of getting LP rewards will tend to search for reasons for their failures. Searching for reasons following bad outcomes is in line with the directive function of mood (Schwartz and Clore, 1983) that claims that people in a bad mood tend to sort out the plausible causes of their bad affective state.

Another issue for future research is the dynamics of state regulatory focus. In our empirical studies, we measured and manipulated participants’ regulatory focus at one point of time. However, participants’ state regulatory focus is transient or may endure only temporarily. Therefore, it is subject to change, depending on which of the types of environmental stimuli that trigger the foci. Loyalty programs are long-term oriented, and hence, multiple purchase decisions are involved over a long period of time. Therefore, members’ behaviors may not be persistent over time. Furthermore, redemption decisions in B-to-B loyalty programs can be strongly influenced by the dynamic of the business environment in which a firm operates. Therefore, studying the dynamic of regulatory focus and its influence on consumer’s longitudinal behavior is an interesting future research avenue.

Recent research on regulatory focus (Aaker and Lee, 2001) revealed that people in Eastern cultures are generally more prevention oriented, whereas those in Western cultures are more promotion oriented. Therefore, we recommend that future research on regulatory fit should take the cultural background of participants into account and the findings of the research should be generalized across different cultures.

Finally, we hope that this dissertation has contributed to more insights on the effects of regulatory fit and stimulates others to explore and fulfill research gaps that we outlined.