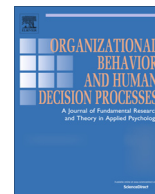




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Choosing between options associated with past and future regret

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ABSTRACT

People sometimes choose between options associated with already-missed and to-be-missed counterfactuals, or put differently, between past and future regret. We find that these objectively irrelevant associations systematically sway peoples' choices. Results show participants prefer options associated with past promotions (Studies 1–3), and they experience more regret and feel more responsible for missing a future promotion (Studies 1 and 2). Study 2 also shows that participants' preference for products associated with a past miss decreases when they know they will not encounter the future miss (promotion). Study 3 shows this preference also decreases when the product is utilized before the future miss becomes available. Finally, in a non-promotion context, Study 4 demonstrates that people distance themselves from a future miss when they are responsible for the miss but not when another person is responsible for it. These findings are related to regret, inaction inertia and the psychology of discounts.

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Introduction

Organizations that sell products or services use various types of promotions to entice consumers. The airline company KLM, for example, does so regularly: “During the World Deal Weeks KLM offers special discounts on flights to around 100 destinations. From city trips within Europe to a safari in Africa or a sun-kissed holiday in the Caribbean, the World Deal Weeks offers are available twice a year” (retrieved from <http://worlddealweeks.klm.com/> at October 2, 2014). These weeks typically take place in January and September. Although consumers may appreciate such discounts, these discounts may also cause annoyance and frustration, for instance, when one wants to book a flight and discovers the promotion just ended.

Such negative reactions are an example of the more general finding that decision makers are affected by missing an attractive opportunity to such an extent that they are less likely to act on subsequent slightly less attractive opportunities—a phenomenon called inaction inertia (Tykocinski, Pittman, & Tuttle, 1995). This tendency to forego action because of an initial failure to act on a better opportunity is well documented, wide ranging, and robust (e.g., Arkes, Kung, & Hutzel, 2002; Kumar, 2004; Zeelenberg, Nijstad, van Putten, & van Dijk, 2006; for a comprehensive review, see Van Putten, Zeelenberg, van Dijk, & Tykocinski, 2013). For

example, Tykocinski, Israel, and Pittman (2004) devised a computer stock market simulation game and found that investors who had missed an opportunity to escape a bear market, and were now facing a significant loss, were less likely to cut their losses and sell the stock compared to investors (facing the same magnitude of loss) who had never had a previous opportunity to sell, or those whose loss was more modest. Finally, Butler and Highhouse (2000) asked participants to imagine being the owner of a small business that missed the opportunity of being bought out by a big company for a good price. Participants did not want to accept a subsequent lower offer from the same company, but were somewhat more willing when it came from a different company. Interestingly, the reactions to these offers correlated highly with a measure of regret. This brief review suggests organizations should be aware of how missed opportunities affect the feelings and behaviors of decision makers.

In the current research, we add to literature on missed opportunities by addressing a not-yet studied but potentially strong effect of missed opportunities. We examine the effects of opportunities that will be missed in the future. Let us explain what we mean. We earlier referred to KLM having regular World Deal Weeks. Many KLM customers are familiar with the World Deal Weeks, especially the loyal customers. Hence, they know that when they book a flight in the beginning of the summer or the beginning of the winter, they will likely end up paying too much (i.e., compared to the price offered during the deal period).

Research remains mute with respect to whether we can simply generalize the effects of missed opportunities, to opportunities

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that will be missed in the future. Will these two types of missed opportunities exert a similar impact on decision makers, or is one more influential than the other?

We may encounter situations in which the missed opportunities are pitted against each other and we have to choose one of those two evils. Imagine that while planning a weekend out to either Madrid or Paris, you discover that your favorite musician is doing a European tour and he is not visiting your home country. You find out he will play in Madrid two days before your expected trip and in Paris two days after. Unfortunately, you cannot reschedule your trip because of work related constraints. You realize you will be thinking about missing his show whether you go to Madrid or to Paris. But which would be worse? And would it influence your choice regarding where to go? Everything else being equal, would you prefer to go to the city where your thoughts will bother you the least? We address this question in this research.

Extrapolating from the findings concerning missed opportunities and a large body of research on counterfactual thinking and pre-factual thinking, we strongly believe decision makers appreciate being confronted with a missed action opportunity in the future less than being confronted with one in the past, and that they will choose to shield themselves from such regret-inducing information. Examining reactions to such future action opportunities is important theoretically and practically. It is of theoretical interest because it may provide novel insights regarding how decision makers cope with decision regrets in various real-world situations. Additionally, examining this question may help us resolve a current discussion in the academic regret literature about the determinants of regret intensity. The practical interest stems from the fact that in today's world of unlimited opportunities, decision makers in a wide variety of domains confront not only action opportunities they already missed, but also action opportunities they will miss when they select a current opportunity. Insight into the prevalence and seriousness of such decision makers' reactions to missing opportunities (now and in the future), and in the psychological processes that underlie these reactions, may help battle the negative consequences for the individual decision maker and the organizations in which they are embedded.

We examine how decision makers choose between courses of action associated with already missed and to-be-missed opportunities. Already missed opportunities provide regretful counterfactuals ("I know I could have made a better decision!"), and opportunities that will be missed in the future are linked with such prefactual thoughts ("I know I will find out that there would have been a better decision!"). Based on our reading of the literature, we identified different factors that may influence the intensity of regret with respect to missed action opportunities, and on the basis of this information, we predict that future misses elicit more regret than past misses. This finding would imply that these understudied occurrences of frustrating confrontations with action opportunities people will encounter in the future (finding out that postponing a decision to a later time would have led to a better outcome) might be even more impactful than action opportunities they missed in the past. We develop this line of reasoning in the next section.

Our research contributes to existing literature in various ways. By showing that people purposefully choose actions associated with the opportunities missed in the past so that they can shield themselves from the painful information provided by opportunities that occur in the future, we provide novel insights into the psychology of missed opportunities. These insights may help individual and organizational decision makers cope with such events. For example, they may help marketers better select their promotion strategies so that they do not alienate their consumers. In addition, our research addresses one of the fundamental questions relating to the determinants of decision regret. Some have argued that the intensity of

regret is primarily driven by the opportunity to undo the regret in the future (Roese & Summerville, 2005; Summerville, 2011). This approach, the future-opportunity principle, stresses the forward-looking aspect of regret, and links regret to ameliorative behaviors (cf. Zeelenberg, 1999). It resonates with the popular sayings "don't cry over spilt milk" and "what's done is done". Of course, crying over spilt milk is useful when doing so prevents similar mistakes in the future, but according to the future-opportunity principle, the regret will be less intense if the problem that caused the regret cannot be solved anymore. The other approach, the lost-opportunity principle, stresses that regret is most intense when people realize they had ample opportunity to make a different choice in the past but did not (Beike, Markman, & Karadogan, 2009; Markman & Beike, 2012). We believe that the question we study, asking whether having missed an opportunity or missing it in the future is more impactful, is informative about the strength of the future-opportunity principle relative to the lost-opportunity principle. We return to a discussion of the relation between our research and these principles in Section 'General discussion'. We first explain in more detail why we expect future misses to have more impact.

Future misses, past misses, and regret

Research has identified several factors that contribute to the experience of regret (Zeelenberg & Pieters, 2007), and we discuss four of them that lead us to predict that future misses have more impact than past misses. The first factor is responsibility. We contend that decision makers generally feel they have more control over avoiding future misses than past misses. Consistent with the functional notion of regret, being more in control of what has yet to occur should make people feel more responsible for a future opportunity they decide to miss (see also Caruso, 2010). Because responsibility is a prime determinant of regret (Zeelenberg, Van Dijk, & Manstead, 2000), failing to prevent a future miss from happening should result in stronger regret compared to a past miss that cannot be undone. Moreover, people generally prefer being able to reverse their decisions (Gilbert & Ebert, 2002; Kirkeboen & Teigen, 2011) and keeping options available as long as possible (Shin & Ariely, 2004). Thus, "closing a door" on an opportunity that has not yet become available may be particularly painful. Thus, we propose that one reason future misses elicit more regret than past misses is that people feel more control over the future than over the past, and therefore feel more responsible for the future.

A second factor that contributes to the intensity of regret is the ease with which people can imagine better counterfactuals. Quoting Kahneman and Miller (1986), "Outcomes that are easily undone by constructing an alternative scenario tend to elicit strong affective reactions (p. 145)". The future, by definition, is more mutable than the past. We contend that imagining alternative outcomes is easier (and regret is therefore stronger) for future misses one can potentially avoid than for past misses one cannot avoid (see also Gu, Botti, & Faro, in press). Similarly, the future-opportunity principle suggests the *attention* people pay to the potential of preventing a missed opportunity should lead to intense regret (Roese & Summerville, 2005). Consistent with this proposal, Caruso (2010) found that people judge transgressions that are about to happen (events that can be avoided) more negatively than identical transgressions that have already happened. Also, Gilbert and Ebert (2002) found that photography students who could change their minds about which prints to keep liked the prints they kept less than students who could not change their minds. In sum, because future misses still have to occur, people may overestimate their mutability, and therefore future misses should elicit more regret than past misses.

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