CHOICE BETWEEN HEDONIC AND UTILITARIAN CONSUMPTION: ROLE OF RISK PERCEPTION AS A MODERATOR

Ram Mohan Dhara, Institute of Management Technology

ABSTRACT

The study aims to investigate consumers' preferences between hedonic and utilitarian choices under different circumstances. In particular, the preference between hedonic and utilitarian choices under promotion (i.e. discount) and special contexts (i.e. risky situations) was investigated for an individual product and a bundle product comprising hedonic and utilitarian components. The findings were explained using prospect theory. Two experiments were conducted among graduate and post-graduate students in the National Capital Region of India during July – October 2020. It was found that the preference between hedonic and utilitarian choices is reversed in presence and absence of promotion. The risk perception moderates the relationship between promotion and purchase intent in the case that a product and bundle product delivers both choices at the same time. This shows cues to marketers how to use risk perception and promotion to increase persuasion. This study re-establishes the relationship between promotion and purchase likelihood of a bundle product comprising a hedonic and a utilitarian product in a completely different context. At the same time, it is the first study, to best of our knowledge, to investigate the risk perception as a moderator in the above relationship. Additionally, the behaviour is explained through the theoretical lens of prospect theory, thus adding to the literature of hedonic and utilitarian choices, bundle products, and the application of prospect theory in consumer behaviour in risky situations.

Keywords: Hedonic Consumption, Utilitarian Consumption, Consumer Behaviour, Risk Perception, Bundle Product and Prospect Theory.

INTRODUCTION

Many young travellers, adventurers and mountaineers across the globe gather at different base camps in the Himalayas during winter for various trekking expeditions, adventurous sports and mountaineering journeys. Some of them are professionals but the majority are tourists. It can be fairly assumed that the professionals and tourists would seek different benefits from equipment required for such activities. Some of them might seek more hedonic benefits like style, design and colour; while others might seek more utilitarian benefits like reliability, durability and robustness (Table 1). Consumers often face a challenging task to choose between intangible hedonic consumption and more tangible utilitarian consumption. Behavioural psychologists and marketers have long held an interest in understanding this perplexity. There is a rich extant literature on hedonic and utilitarian consumption that addresses this trade-off (Dhar & Wertenbroch, 2000; Botti & McGill, 2011).

Consumption of most of products and services is associated with a certain amount of perceived risk. Perceived risk is defined in terms of the uncertainty and consequences of purchasing a product (Campbell & Goodstein, 2001). The risk associated with a mispurchase has been studied in numerous contexts (Dholakia, 2001; Srivastava & Sharma, 2011). Having said this, there is a very limited research on the impact of risk perception on

consumers' purchase decisions of hedonic and utilitarian products. Do consumption preferences vary between hedonic and utilitarian choices in different situations since they are prone to different levels of risk because of intangibility and uncertainty of benefits? Hence, there is a compelling need to investigate the risk angle to hedonic and utilitarian consumption Table 2.

We know hedonism and utilitarianism is a continuum (Bradley & LaFleur, 2016; Prebensen & Rosengren, 2016; Parsa, 2020) and the same product can be mapped as high or low in both hedonic and utilitarian dimensions in different contexts based on the extent it satisfies utilitarian and hedonic goals (Batra & Ahtola, 1990). Now, extending the concept in the case of a bundle product comprising utilitarian and hedonic products, how do the consumption preferences differ?

Literature shows that framing a discount as savings on the hedonic component is more effective in increasing the purchase likelihood of the bundle than an equivalent discount framed as savings on the utilitarian component (Khan & Dhar, 2010). However, we do not know how the framing effect impacts purchase likelihood under differ risk perceptions in the case of a bundle product Table 3. Therefore, in this study, we aim to investigate the risk perception angle to hedonic and utilitarian choices of individual products and bundle products.

Furthermore, we also investigate the circumstances where preference reversal occurs between hedonic and utilitarian choices. With the help of prospect theory, we explain the impact of risk perception and promotion on a product bundle comprising both hedonic and utilitarian products.

THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

Hedonic and Utilitarian Consumption

Consumer goods, services and consumption goals are often classified as hedonic or utilitarian. "*Hedonic experiences are fun, sensorial and spontaneous; whereas utilitarian experiences are functional, sensible and useful*" (Holbrook & Hirschman, 1982). Consumers purchase and consume for two motives – immediate gratification (hedonic) and instrumental (utilitarian) reasons Table 4.

Recent studies have explored hedonism and utilitarianism in a shopping context for a meta-analysis, Vieira et al., 2018). Literature related to the hedonic and utilitarian dimensions of the shopping experience is very rich in terms of: addressing consumer attitudes towards the product the perceived value of the shopping experience, the influence of atmosphere and environment on shopping experiences (Olsen & Skallerud, 2011; Rayburn & Voss 2013; Collier & Barnes, 2015); and influence of e-commerce and social media on the hedonic-utilitarian consumption and so on.

Past research has revealed that hedonic and utilitarian products satisfy different consumer goals (Chitturi et al., 2007; Khajehzadeh et al., 2014); but they are not necessarily the two ends of the spectrum. As observed: *"A person evaluating a pair of sneakers may care for both functional features e.g., durability as well as hedonic features e.g., design"*. People prefer the hedonic option to the utilitarian one when only one choice is presented because people have limited information about other alternatives and it is easier to justify their choice of the hedonic product (Okada, 2005). However, consumers prefer the utilitarian product to the hedonic one when both products are presented together because it is more difficult to justify spending money on hedonic products due to associated feelings of guilt. The same logic can be applied in the case of a product that delivers both hedonic and utilitarian benefits.

According to prior research, several mechanisms allow consumers to justify hedonic consumption including: through framing hedonic benefits (Kivetz & Zheng, 2006), discounting, engaging in virtuous activities, applying more efforts, and excelling in tasks (Strahilevitz & Myers, 1998; Dhar & Simonson, 1999; Kivetz & Simonson, 2002; Kivetz & Zheng, 2006). Therefore, it seems that the justification mechanism (e.g. promotion) can be used as a lever to switch the preference between hedonic and utilitarian choices.
Therefore, we hypothesize

H_1: *Consumers are likely to reverse their preferences for a product capable of delivering both hedonic and utilitarian benefits when the product is not promoted vs. promoted.*

So, it eventually means, compared to hedonic goals, utilitarian goals would lead to higher purchase intent for the product capable of delivering both consumption goals. But, if the product is promoted (discounted), the hedonic consumption goal would lead to higher purchase intent compared to the utilitarian goal.

What happens in risky situations? How does risk impact the above relationship? The consumption of goods and services involves a certain amount of perceived risk. *"People's perceptions of risk are considered to be central to their evaluations, choices, and behaviors". "Perceived risk is defined in terms of uncertainty and consequences from purchasing a product".* Therefore, it is important to investigate whether the above preference remains the same or different in case of different risk situations.

The Risk Associated With Mispurchase

Perceived risk associated with a product is closely related to hedonic and utilitarian characteristics of the product (Arruda Filho & Brito, 2017). The impact of risk can be investigated through various routes. Since risk perception is an individual-difference variable, it can be studied using the consumer involvement construct which is a multi-dimensional construct; and risk associated with a mispurchase is one of the dimensions (Kapferer & Laurent, 1985). Involvement is an individual-level variable associated with many marketing, advertising and branding-related concepts including perceived risk (Michaelidou & Dibb, 2008). A review of the extant literature reveals that involvement has five antecedents: interest, perceived risk (risk importance and risk probability), the rewarding nature of the product (its pleasure value), and perceived association of a brand with one's status, one's personality, or identity (sign value). Here, we will focus on the risk associated with consumers' evaluations of products under various circumstances as this is relevant to our proposition building. The perceived risk involved with a mispurchase (Srivastava & Sharma, 2011) has an impact on a variety of consumer behaviours, such as word-of-mouth information, new product adoption, brand loyalty, purchase intent and reliance on well-known brands (Erdem, 1998). People under high risk prefer *"familiar"* to *'unfamiliar"* options because of product congruity with the product category. *"Congruity is the similarity between a product and a more general product category schema that may influence product evaluations"* (Meyers-Levy & Tybout, 1989). High-risk perception leads consumers to become more conservative by preferring the norm to the novel. Anecdotally, when a product delivers 'norms' than 'novel' for a category, the benefits become closer to utilitarian than hedonic. Evaluations of a product in different risk environments differ (Payne *et al.,* 1993). When the risk is high, a product that looks "normal" is evaluated more positively, i.e. delivers core or utilitarian benefits.
Therefore, we hypothesise that:

H₂: *In a high-risk situation, the persuasion for a product is likely to be higher when the consumption goal is utilitarian than hedonic.*

Now, let's extend the above argument to a product bundle. In other words, instead of a product capable of delivering both hedonic and utilitarian benefits at the same time, we consider a bundle of two different products capable of delivering either hedonic benefits or utilitarian benefits. The intent here is to examine: 1 how discounting the different products would impact persuasion; and 2 how different levels of risk perception would impact the relationship between discount and persuasion Table 4.

Bundle Products

Bundling is a common practice (Venkatesh & Mahajan, 2009) of marketing two or more products in one package at a discounted price. Broadly, the literature on bundle products has been focussed on the seller's side – how sellers use bundling as a strategy, reasons behind bundles and how sellers form different compositions of bundles. On the other hand, the consumer's side attracts less attention, on topics such as how consumers evaluate bundles and their theoretical underpinnings and the reasons behind purchasing bundles.

The researchers that have examined consumers' reactions to bundles apply various theoretical lenses. This includes: price presentation (Engeset & Opstad, 2017); change in reservation prices due to format change use of anchoring and adjustment heuristics while considering a bundle product (Yadav, 1994); component-wise information processing; shift in people's internal reference point (IRP) (Janiszewski & Cunha, 2004); explanation of people's behaviour using additivity axiom (Venkatesh & Mahajan, 2009); loss aggregation hypothesis and inferred bundle saving (Heeler *et al.*, 2007). However, the risk associated with bundle purchase in different situations has hardly been studied.

Bundle Products under Discount and Risk

When the discount on the hedonic product is framed as a saving, the purchase likelihood of the bundle increases compared to an equivalent discount framed as savings on the utilitarian product. Let's assume that the prices of the original bundle, discounted bundle when the hedonic (utilitarian) product is discounted are P, P_H (P_U) such that $P_H = P_U$. So, the perceived saving when hedonic is discounted is $S_H = (P - P_H)$ and when utilitarian is discounted is $S_U = (P - P_U)$. Mathematically, $S_H = S_U$, i.e. saving in economic terms is the same; but the perception of saving is different such that $S_H > S_U$. Because consumption of the hedonic product is associated with guilt, and justification is needed to favour consumption (Okada, 2005), the discounting acts as a justification mechanism making S_H greater than S_U. In turn, this leads to a higher purchase intent of the bundle when the hedonic product is discounted compared to the utilitarian product.

Now, let's view the situation under different risk perceptions. It can be explained through the theoretical lens of prospect theory (Kahneman & Tversky, 2013) as the decision-making process involves risk. We will use one of the key corollaries of prospect theory, i.e. the pain of losing is greater than the pleasure of winning. Hedonic products deliver more intangible (Jones et al., 2006) benefits which are more difficult to realise leading to higher risk perception. A discount provides a cue for mitigating the risk, and further, discounting the product under a risky situation pitches the product below its original reservation price, leading to even higher perceived gain or saving ($S_H \gg S_U$), further leading to higher persuasion Table 5.

Therefore, we hypothesise that:

H₃: *In a high-risk situation, the persuasion of the bundle is likely to be higher when the hedonic component of the bundle is discounted compared to the utilitarian component.*

Persuasion

In the marketing and advertising literature, persuasion has been measured through several variables, in terms of likability (Leather et al., 1994), attractiveness (Wells, 2000), attitude toward the brand (Ang & Low, 2000), brand attitude and purchase intent (Klein & Melnyk, 2016). In this study, we will measure persuasion in terms of attractiveness of the offer (ATTR), willingness to pay (WTP) for the offer and purchase intent (PI) of the offer at the stated price. So, throughout the document, 'persuasion' means these three measurable outcome variables.

Overview of Studies

In the first study, preference reversal between hedonic and utilitarian choices under promotion has been investigated, along with the impact of risk on relative preferences of hedonic and utilitarian choices. In the second study, the impact of promotion and risk was investigated on the preference of a bundle comprising hedonic and utilitarian products. Thus, two studies together comprehensibly address the above hypotheses.

Study 1: Trekking Cap

Method:

Study 1 utilised a 2 (risk: high or low) x 2 (Discount: yes or no) between-subjects design. Participants were 116 graduate and post-graduate students from a few engineering, medical and management institutes from the northern part of India, who participated in trekking expeditions in the past or were willing to participate in the near future. A Qualtrics survey platform was used; a link was sent to the respondents and they were asked to participate in the survey.

Manipulation of treatment groups – risk perception

Half of the students were randomly selected and exposed to high(low) risk-perception groups (Earl & Kemp, 2002; Greenleaf, 2006). The respondents in the high (low) risk-perception groups were asked to imagine that they were one of the finalists (one of the hundreds of participants) in a trekking competition in the Himalayas; for that reason, they wanted to purchase a trekking cap.

Manipulation of treatment groups – discounts

Half of the students from each risk-perception group were randomly selected and exposed to discount or no discount groups Table 6. They were told that while trekking through different terrains, they needed to protect their head and eyes from bright sunlight and they needed to look cool and stylish; therefore, a cap played an important role while trekking. The no-discount group (discount group) was told that the price of a trekking cap was Rs.1000 the original price of a trekking cap was Rs.1000, and it was available online with a 50% discount Table 7.

Dependent variables

The respondents evaluated the relative persuasion of the cap when the product delivers hedonic vs. utilitarian benefits w.r.t. relative attractiveness, willingness to pay and purchase intent of the offer at the stated price on a 7-point comparative Likert scale (Cabanero, 2006).

Manipulation Check

Manipulation check – risk perception

For a manipulation check of the risk-perception level, the Consumer Involvement profile (CIP) scale was used. The scale has been given in the appendix. Participants in the high-risk group scored higher compared to the participants in the low-risk group ($M_{High} = 4.52$ vs $M_{Low} = 3.83$, t= 3.49, df = 112.87, p <0.001), suggesting that the treatments were successful.

Reliability of Scales

Cronbach's alpha for measuring the internal consistency reliability and composite reliability (CR) of the risk-perception dimension of the Consumer Involvement profile (CIP) scale were found to be 0.80 and 0.83 respectively; both of which are as per rules of thumb. (Fornell & Larcker, 1981).

RESULTS

Main effects of discount

When the product was made available at the original price, i.e. no discount, the relative attractiveness ($M_{No-Discount} = 4.45$, $M_{H0} = 4.0$, t= 1.94, df = 57, p < 0.1), WTP ($M_{No-Discount} = 4.65$, $M_{H0} = 4.0$, t= 3.17, df = 57, p <0.05) and PI ($M_{No-Discount} = 4.02$, $M_{H0} = 4.0$, t= 0.09, df = 57, p = 0.9) of the utilitarian benefit was found to be higher than the hedonic benefit in case of PI the effect is directional Figure 1. As the Likert scale was designed, a value more than 4.0 signifies a preference of utilitarian benefit over hedonic benefit; whereas a value less than 4.0 signifies a preference of hedonic benefit over utilitarian benefit.

When the product was made available at a discounted price, the relative attractiveness ($M_{Discount} = 3.62$, $M_{H0} = 4.0$, t= -2.16, df = 57, p < 0.05), WTP ($M_{Discount} = 3.78$, $M_{H0} = 4.0$, t= -1.07, df = 57, p =0.3) and PI ($M_{Discount} = 3.81$, $M_{H0} = 4.0$, t= -0.93, df = 57, p = 0.4) of the hedonic benefit was found to be higher than the utilitarian benefit (in case of WTP and PI the effects are directional)

This proves the preference reversal (in the case of the attractiveness of the offer) between hedonic and utilitarian choices under discount, thus supporting hypothesis H1.

Main effects of risk perception

When the product was made available at a high risk, the relative attractiveness ($M_{High risk} = 4.28$, $M_{H0} = 4.0$, t= 1.38, df = 59, p = 0.17), WTP ($M_{High risk} = 4.00$, $M_{H0} = 4.0$, t= 0.0, df = 59, p =1.0) and PI ($M_{High risk} = 4.05$, $M_{H0} = 4.0$, t= 0.28, df = 59, p = 0.78) of the utilitarian benefit was found to be directionally higher than the hedonic benefit.

When the product was made available at low risk, the relative attractiveness ($M_{Low risk} = 3.77$, $M_{H0} = 4.0$, t= -1.08, df = 55, p = 0.28), WTP ($M_{Low risk} = 4.44$, $M_{H0} = 4.0$, t= 1.80, df = 55, p <0.1) and PI ($M_{Low risk} = 3.77$, $M_{H0} = 4.0$, t= -1.07, df = 55, p =0.3) of hedonic benefit was found to be directionally higher than utilitarian benefit.

This result indicates that in a high-risk situation, the persuasion for a product is directionally (not significantly) higher when the consumption goal is utilitarian than hedonic, thus supporting hypothesis H2.
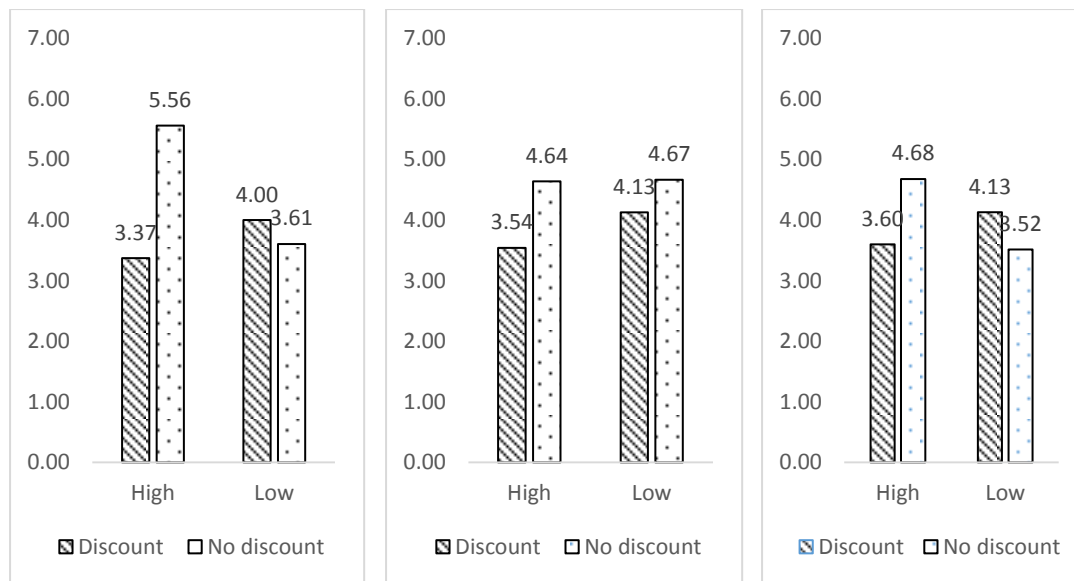
Interaction effects

FIGURE 1
INTERACTION EFFECTS OF DISCOUNT AND RISK ON PERSUASION

Attractiveness of the offer; WTP for the offer; PI for the offer

In a high-risk situation, participants in different discount groups (Discount vs. No-discount) perceive attractiveness of the offer differently; participants in no-discount group expressed higher attractiveness compared to participants in the discount group ($M_{No-Discount}$ = 5.56 vs $M_{Discount}$ = 3.37, t = -6.90, df = 43.51, p <0.001); whereas in a low-risk situation, participants in the discount group expressed higher attractiveness compared to participants in the no-discount group ($M_{Discount}$ = 4.00 vs $M_{No-Discount}$ = 3.61, t = 0.89, df = 46.12, p > 0.10), suggesting the interaction effect of risk and discount on attractiveness of the offer. Similar results have been observed for PI but no interaction effect was observed for WTP (Results have been given in tables – 2.1-2.2).

ANOVA results furthermore indicate that participants in different discount groups perceive the attractiveness of the offer significantly differently, suggesting a main effect of discount on ATTR (attractiveness) (F = 35.85, df (1,112), P < 0.001). A similar main effect of risk on ATTR has also been observed (F = 2.81, df (1,112), P < 0.1), while the significant interaction effect of discount*risk on ATTR has also been observed (F = 24.05, df (1,112), P < 0.001). Similar results have been recorded for PI but no interaction has been observed for WTP. (Results have been given in tables – 2.3-2.4).

Moderation effect

According to (Baron & Kenny,1986), the moderation effect exists if the following conditions are fulfilled: a) Interaction between outcome (ATTR) and predictor (Discount)* moderator (Risk) MUST be significant; b) Relationships between outcome and predictor MAY be significant and c) Relationships between outcome and moderator MAY be significant. From the ANOVA results above, all three relationships – Discount and ATTR, Risk and ATTR; and Discount * Risk and ATTR – were found to be significant; indicating risk as a moderator between discount and attractiveness (ATTR) Figure 2.

Similarly, risk moderates the relationship between discount and purchase intent (PI), but no moderation effect was observed for willingness to pay (WTP).

Study 2: Trekking Watch and Trekking Shoes

In the previous study, preference reversal has been observed between hedonic and utilitarian choices under promotion; alongside the impact of risk on relative preferences of hedonic and utilitarian alternatives. In this study, the objective is to investigate the impact of promotion and risk on the preference of a bundle comprising hedonic and utilitarian products.

Now, we extend the above trekking example to a product bundle, i.e. instead of a trekking cap, we consider that two different products – a trekking watch (hedonic benefits) and trekking shoes (utilitarian benefits), bundled together. The intent here is to examine: 1.) how discounting the different products would impact persuasion; and 2.) how different levels of risk perception would impact the relationship between discount and persuasion.

Method

Study 2 utilised a 2 (risk perception: high or low) x 2 (component of the bundle being discounted: hedonic or utilitarian) between-subjects design. Participants were 117 graduate and post-graduate students from various engineering, medical and management institutes from the northern part of India (Dwivedi et al., 2018). As in the first study, the Qualtrics survey platform was used; a link was sent to the respondents and they were asked to participate in the survey (Sarkar, 2011).

Manipulation of treatment groups – risk perception

The same priming as in the last study was used. Half of the students were randomly selected and exposed to high (low) risk-perception groups (George, 2011). The respondents in the high (low) risk-perception groups were asked to imagine that were one of the finalists (one of the hundreds of participants) in an adventurous trek in the Himalayas; for that reason, they wanted to purchase a stylish trekking watch and a pair of well-gripped trekking shoes.

Manipulation of treatment groups – component discounted.

Half of the students from each risk-perception group were randomly selected and exposed to discounting component groups, i.e. with either the utilitarian or the hedonic components being discounted. They were told the two products are available as a bundle at a sports retail outlet. The original prices of a stylish trekking watch and a pair of well-gripped robust trekking shoes cost Rs. 4000 each. A sports retail shop is offering the stylish trekking watch (the pair of well-gripped robust trekking shoes) with a 50% discount. So, they eventually pay Rs. 6,000 for the offer instead of an original price of Rs. 8,000.

Dependent variables

Then, respondents' levels of persuasion were captured on a 7-point Likert scale, measuring attractiveness of the offer, willingness to pay the offer price and purchase intent at the stated price.

Manipulation Check

Manipulation check – the type of product (hedonic or utilitarian) being discounted

A pre-study was conducted to check whether the student perceives the aforementioned products as hedonic or utilitarian. Fourteen products including the trekking watch and trekking shoes were tested among 113 students on a 7-point Likert scale (1: completely utility; 7: completely pleasure). The stylish trekking watch was primarily perceived to be a hedonic product ($M_{watch} = 4.78$ vs. $M_{H0} = 4.0$; $t = 4.74$, $df = 112$, $p < 0.001$) while the pair of well-gripped robust trekking shoes was primarily a utilitarian product

(M_{shoes} = 3.19 vs. M_{H0} = 4.0; t = -3.89, df = 112, p< 0.001). So, the manipulation check was successfully conducted.

Manipulation check – risk perception

For manipulation check of risk-perception level, the Consumer Involvement profile (CIP) scale was used as in the first study. Participants in the high-risk group scored higher compared to the participants in the low-risk group (M_{High} = 5.00 vs M_{Low} = 3.95, t= 7.76, df = 89.50.11, p < 0.001), suggesting that the treatments were successful.

Reliability of Scales

Cronbach's alpha for measuring the internal consistency reliability and composite reliability (CR) of the risk-perception dimension of the Consumer Involvement profile (CIP) scale were found to be 0.71 and 0.72 respectively.

Results

Main effects of discount

When the hedonic component of the bundle was discounted compared to the utilitarian component, the attractiveness (ATTR) of the bundle was found to be higher (M_{HED} = 5.53, M_{UTIL} = 5.07, t= 2.30, df = 107.77, p < 0.05); a similar impact on discount was found for WTP (M_{HED} = 5.47, M_{UTIL} = 5.07, t= 2.05, df = 105.02, p < 0.05) and PI (M_{HED} = 5.68, M_{UTIL} = 5.10, t= 2.87, df = 112.52, p < 0.01). These results strongly support the findings of.

Main effects of risk perception

When the bundle is available at a high risk compared to a low risk, irrespective of which component is being discounted, the attractiveness (ATTR) of the bundle was found to be directionally higher (M_{HED} = 5.31, M_{UTIL} = 5.29, t= 0.09, df = 103.81, p = 0.93); a similar directional impact on discount was found for WTP (M_{HED} = 5.29, M_{UTIL} = 5.26, t= 0.16, df = 105.91, p = 0.87) and PI (M_{HED} = 5.55, M_{UTIL} = 5.26, t= 1.37, df = 96.58, p = 0.17). These results are in line with (Namkoong & Raghunathan, 2010) who reported that "people are more risk-seeking when a hedonic value is more salient and are more risk-averse when utilitarian value is more salient".
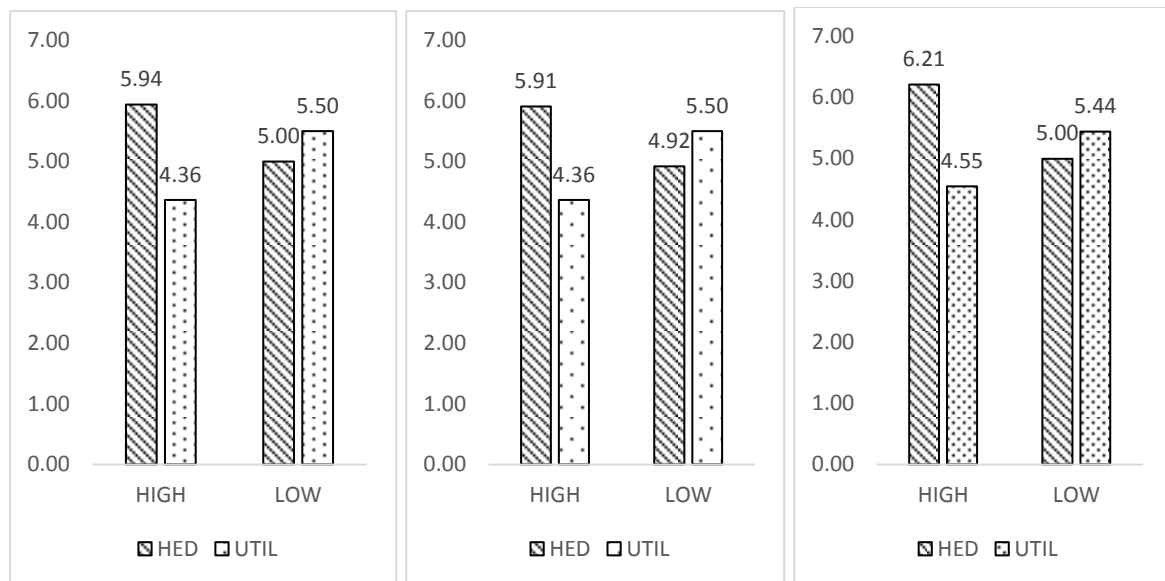
Interaction effects

FIGURE 2
INTERACTION EFFECTS OF DISCOUNT AND RISK ON PERSUASION
(PRODUCT BUNDLE)

Attractiveness of the offer; WTP for the offer; PI for the offer.

In a high-risk situation, participants exposed to different discount groups perceive the attractiveness of the offer significantly differently; participants in the hedonic discount group expressed higher attractiveness compared to participants in the utilitarian discount group (M_{HED} =5.94 vs M_{UTIL} = 4.36, t = 5.66, df = 34.33, p <0.001). On the other hand, in a low-risk situation, participants in the utilitarian discount group expressed higher attractiveness compared to participants in hedonic discount group (M_{HED} =5.0 vs M_{UTIL} = 5.5, t = -2.09, df = 58.86, p <0.05), suggesting the presence of an interaction effect of risk and discount on the attractiveness of the offer. Similar significant interaction effects also exist for WTP and PI (the results have been given in tables- 2.5-2.6).

What's more, the ANOVA results indicate that participants in different discount groups perceive the attractiveness of the offer significantly differently, suggesting a main effect of discount on ATTR (attractiveness) (F = 36.32, df (1,113), P < 0.001); similar main effect of risk on ATTR has also been observed (F = 14.22, df (1,113), P < 0.001); interaction effect of discount*risk on ATTR has also been observed (F = 33.63, df (1,113), P < 0.001). Similar significant results have been observed for WTP and PI. (Results have been given in tables 2.7-2.8).

Therefore, the results validate the hypothesis H3 that under high-risk perception, discounting the hedonic component would increase (decrease) persuasion of the bundle compared to discounting the utilitarian component by the same amount.

Moderation effect

As per all three relationships – Discount and ATTR, Risk and ATTR; and Discount*Risk and ATTR – were found to be significant from the ANOVA results, indicating risk as a moderator between discount and attractiveness (ATTR).

Similarly, risk moderates the relationship between discount and purchase intent (PI) and willingness to pay (WTP).

Thus, the results from two studies conclusively established that risk perception moderates the relationship between promotion and purchase intent in the case of a product

and a bundle of two products, together capable of delivering hedonic and utilitarian benefits at the same time (Shiv & Fedorikhin, 1999).

Explanation using prospect theory

The above results can be explained using prospect theory. In the above trekking example, when she is one of the finalists in the trekking competition (high-risk situation), her pain of losing the competition would be more compared to when she would have been one of the participants (low-risk situation). Notionally, the difference in pain (ΔPAIN) is the pain created in a high-risk situation (PAIN $_{High\ Risk}$) minus the pain in a low-risk situation (PAIN $_{Low\ Risk)}$; i.e. ΔPAIN = PAIN $_{High\ Risk}$ − PAIN $_{Low\ Risk}$. Now, two situations could precede her losing: 1) when she purchased the bundle when the trekking watch (hedonic) was discounted; and 2) when the trekking shoes (utilitarian) were discounted (Crowley et al., 1992). Let's assume that ΔPAIN$_H$ (ΔPAIN$_{U)}$ is the difference in pain when hedonic (utilitarian) is discounted. Mathematically, ΔPAIN$_H$ = ΔPAIN$_U$; but the perception of difference in pain in the case of hedonic products will be less than the utilitarian products i.e. ΔPAIN$_H$ < ΔPAIN$_U$ Figure 3. This is because the perception of saving in the case of the hedonic product being discounted (S$_H$) is higher than utilitarian one being discounted (S$_U$) i.e. S$_H$ > S$_U$. This can be explained with the help of the following value function (not scaled).

A.   The difference in pain in high and low-risk situations.

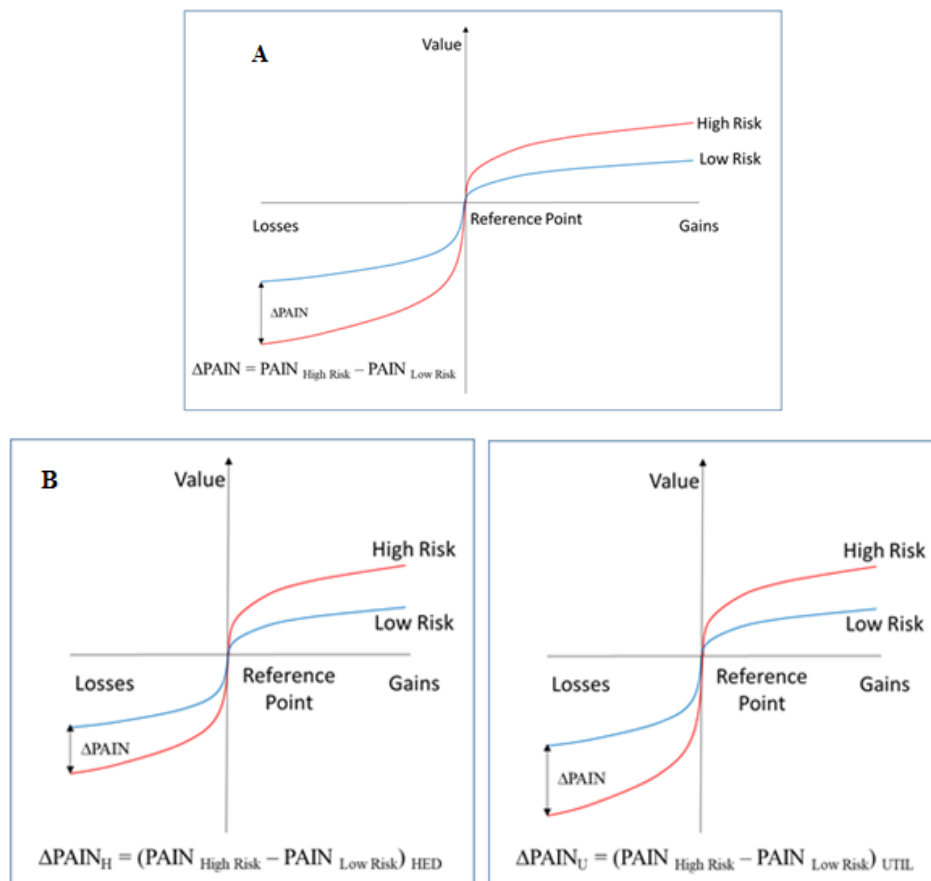B.   The difference in pain in high and low-risk situations when Hedonic (Utilitarian) is discounted.

FIGURE 3
INTERACTION EFFECTS – EXPLANATION USING PROSPECT THEORY

$\Delta PAIN_H < \Delta PAIN_U,$ because $S_H > S_U$

Therefore, when the hedonic product is discounted, the difference in pain created from losing the competition in high vs. low-risk situations is lower compared to when the utilitarian one is discounted. This is supportive of H3.

DISCUSSION

We tried to extend the findings in the instance of a bundle product under similar conditions to understand whether the same product and a bundle of products delivering both hedonic and utilitarian values would make any difference in the findings.

It has been observed that the pure bundles compared to complementary bundles compared to substitute bundles are preferred because such bundles are more salient to consumers. In our experiments, we considered complementary bundles so that the participant can easily relate to a practical situation.

But, at the same time, we constructed the product bundles in the experiments to eliminate many potential explanations. The mere bundling of products is a pricing cue. That is, consumers perceive bundling as equivalent to a discount and perceive it as a saving (Heeler et al., 2007), leading to higher purchase intent for a bundle compared to individual products of the bundle. To control saving as the potential reason for persuasion, we designed the bundle in such a way that the consumers do not see saving as the value, i.e. the sum of prices of the individual products is the same as the bundle price.

According to a reference-dependent theory (Kahn e al., 2005), assigning a discount to a less-valued product increases the overall value of the bundle (Janiszewski & Cunha, 2004). To avoid this, we assigned similar prices to the components of the bundle.

The weighted additive principle suggests that "*when two unequally preferred items in a bundle are evaluated, discounting the more preferred or focal item increases the evaluation of the bundle*". To avoid such potential explanations, we controlled for the value of the items by assigning similar prices and similar importance in the experimental contexts.

CONCLUSION AND MANAGERIAL IMPLICATION

Two key findings would enrich the fields of hedonic and utilitarian consumption and product bundling. Firstly, how the preference for the same product can be altered through risk and goal-embedded communication cues which can prove to be a good promotional tool for marketing managers. Secondly, the literature evidences the impact of discounting a product in a mixed bundle. But what is not addressed in the literature is how the behaviour changes under different risk perceptions. Our study found that in high-risk situations, discounting the hedonic product, not the utilitarian product makes the mixed bundle more attractive. Practising marketers can embed the risk perception in the communication cues to enhance the attractiveness of a product bundle.

In a nutshell, our study sheds light on both strengthening the existing knowledge and adding new knowledge in the body of hedonic and utilitarian consumption and product bundle, i.e. how the consumption goal and bundle dynamics may interact with promotion type (i.e. price discounting) and individual variables (i.e. risk perception).

LIMITATIONS AND FUTURE RESEARCH

Though our research adds to the book of knowledge in product bundling and hedonic and utilitarian consumption, it comes with some limitations. We used the survey data for our experiments to capture the behaviour of respondents under different combinations of a bundle

product. If the retail sales data for various types of bundles across different categories are gathered, the same can be used to investigate if the findings are corroborated.

Hunan beings are rationally bounded, therefore the consumers can handle a complex task; here the task is the combination of a bundle in terms of complementarity, different risk perceptions and different promotions. Consumers can analyze the information analytically to some extent; beyond which they look for heuristic cues to simplify the decision-making process. Therefore, some personal variables that can address this boundary condition can be a good area to research. People with a high need for cognition (NFC) are likely to have a higher ability to handle analytically more complex tasks (Petty et al., 1983). So, NFC can be tested as a boundary condition in these experiments.

Another limitation is the target respondents. These experiments have been conducted among the graduate and post-graduate students. People from all walks of life participate in such adventurous activities. So, it would be interesting for generalization if the findings can be corroborated using such respondents.

APPENDIX – SCALES AND ADDITIONAL TABLES

Consumer Involvement Profiles: CIP (Laurent & Kapferer, 1985) – the following seven items comprise the 'risk perception' dimension of the scale which has been used for a manipulation check of risk perception Appendix tables 1-8.
1. When you choose _____, it is not a big deal if you make a mistake. *
2. It is really annoying to purchase _____ that are not suitable.
3. If, after I bought _____, my choice(s) were proven to be poor, I would be really upset.
4. Whenever one buys _____, one never really knows whether they are the ones that should have been bought.
5. When I face a shelf of _____, I always feel a bit at a loss to make my choice.
6. Choosing _____is rather complicated.
7. When one purchases _____, one is never certain of one's choice.

Additional Tables

Table 1 INTERACTION OF DISCOUNT AND RISK ON WTP			
Test		Welch two-sample t-test	
DV, IV		WTP, Discount	
Treatment group		High Risk	
Treatment Group	**Group mean**	**t-value(df)**	*p-value*
Discount	3.54	-3.14(44.97)	0.003
No-discount	4.64		
Treatment group		Low Risk	
Treatment Group	**Group mean**	**t-value(df)**	*p-value*
Discount	4.13	-1.03(41.03)	0.31
No-discount	4.67		
Result		**No interaction**	

Table 2 INTERACTION OF DISCOUNT AND RISK ON PI			
Test		Welch two-sample t-test	
DV, IV		WTP, Discount	
Treatment group		High Risk	
Treatment Group	**Group mean**	**t-value(df)**	*p-value*

Discount	3.60	-3.12(46.38)	0.003
No-discount	4.68		
Treatment group		Low Risk	
Treatment Group	**Group mean**	**t-value(df)**	*p-value*
Discount	4.13	1.31(35.75)	0.20
No-discount	3.52		
Result		**Interaction**	

Table 3
MAIN AND INTERACTION EFFECTS(ANOVA)

WTP ~ Risk + Discount + Risk*Discount

Response:	**WTP**			
	Sum Sq	**Df**	**F value**	**Pr(>F)**
(Intercept)	439.31	1	174.2399	< 2.2e-16
Risk	4.79	1	1.9005	0.170768
Discount	17.55	1	6.9623	9.51E-03
Risk*Discount	2.21	1	0.8766	3.51E-01
Residuals	282.39	112		
Result	**Significant main and interaction effects**			

Table 4
MAIN AND INTERACTION EFFECTS(ANOVA)

PI ~ Risk + Discount + Risk*Discount

Response:	**PI**			
	Sum Sq	**Df**	**F value**	**Pr(>F)**
(Intercept)	453.6	1	214.6392	< 2.2e-16
Risk	3.91	1	1.8479	0.176764
Discount	17.01	1	8.049	5.41E-03
Risk*Discount	20.19	1	9.5533	2.52E-03
Residuals	236.69	112		
Result	**Significant main and interaction effects**			

Table 5
INTERACTION OF DISCOUNT AND RISK ON WTP (BUNDLE PRODUCT)

Test		Welch two-sample t-test	
DV, IV		WTP, Discount	
Treatment group		High Risk	
Treatment Group (Discount)	**Group mean**	**t-value(df)**	*p-value*
HED	5.91	5.76(34.54)	P < 0.001
UTIL	4.36		
Treatment group		Low Risk	
Treatment Group (Discount)	**Group mean**	**t-value (df)**	*p-value*
HED	4.92	-2.49(59.89)	P < 0.05
UTIL	5.50		
Result		**Significant interaction**	

Table 6 INTERACTION OF DISCOUNT AND RISK ON PI (BUNDLE PRODUCT)			
Test		Welch two-sample t-test	
DV, IV		PI, Discount	
Treatment group		High Risk	
Treatment Group (Discount)	**Group mean**	**t-value (df)**	*p-value*
HED	6.21	5.85(39.73)	P < 0.001
UTIL	4.55		
Treatment group		Low Risk	
Treatment Group (Discount)	**Group mean**	**t-value(df)**	**p-value**
HED	5.00	-2.07(58.31)	P < 0.05
UTIL	5.44		
Result		**Significant interaction**	

Table 7 MAIN AND INTERACTION EFFECTS (ANOVA) FOR A PRODUCT BUNDLE				
WTP ~ Risk + Discount + Risk*Discount				
Response: WTP				
	Sum Sq	**Df**	**F value**	**Pr(>F)**
(Intercept)	1152.3	1	1319.695	< 2.2e-16
Risk	14.14	1	16.193	0.000104
Discounted	31.53	1	36.108	2.33E-08
Risk*Discounted	31.72	1	36.332	2.14E-08
Residuals	98.66	113		
Result	**Significant main and interaction effects**			

Table 8 MAIN AND INTERACTION EFFECTS (ANOVA) FOR A PRODUCT BUNDLE				
PI ~ Risk + Discount + Risk*Discount				
Response: PI				
	Sum Sq	**Df**	**F value**	**Pr(>F)**
(Intercept)	1273.5	1	1412.78	< 2.2e-16
Risk	21.37	1	23.703	3.68E-06
Discounted	36.67	1	40.677	4.06E-09
Risk*Discounted	31.39	1	34.82	3.85E-08
Residuals	101.86	113		
Result	**Significant main and interaction effects**			

REFERENCES

Arruda Filho, E.J.M., & Brito, E.P.Z. (2017). Green attributes converged within multifunctional technology products. *Telematics and Informatics*, 34(1), 79-90.

Ang, S.H., & Low, S.Y. (2000). Exploring the dimensions of ad creativity. *Psychology & Marketing*, 17(10), 835-854.

Baron, R.M., & Kenny, D.A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of personality and social psychology*, 51(6), 1173.

Batra, R., & Ahtola, O.T. (1991). Measuring the hedonic and utilitarian sources of consumer attitudes. *Marketing letters*, 2(2), 159-170.

Botti, S., & McGill, A.L. (2011). The locus of choice: Personal causality and satisfaction with hedonic and utilitarian decisions. *Journal of Consumer Research*, 37(6),1065-1078.

Bradley, G.T., & LaFleur, E.K. (2016). Toward the development of hedonic-utilitarian measures of retail service. Journal of Retailing and Consumer Services, 32, 60-66.

Cabanero, C. P. (2006), "Consumer involvement in goods and service purchases", *University of Valencia.*

Campbell, M.C., & Goodstein, R.C. (2001). The moderating effect of perceived risk on consumers' evaluations of product incongruity: Preference for the norm. *Journal of consumer Research*, 28(3), 439-449.

Chitturi, R., Raghunathan, R., & Mahajan, V. (2007). Form versus function: How the intensities of specific emotions evoked in functional versus hedonic trade-offs mediate product preferences. Journal of marketing research, 44(4), 702-714.

Collier, J.E., & Barnes, D.C. (2015). Self-service delight: Exploring the hedonic aspects of self-service. *Journal of Business Research*, 68(5), 986-993.

Crowley, A.E., Spangenberg, E.R., & Hughes, K. R. (1992). Measuring the hedonic and utilitarian dimensions of attitudes toward product categories. *Marketing letters*, 3(3), 239-249.

Dhar, R., & Wertenbroch, K. (2000). Consumer choice between hedonic and utilitarian goods. Journal of marketing research, 37(1), 60-71.

Dhar, R., & Simonson, I. (1999). Making complementary choices in consumption episodes: Highlighting versus balancing. *Journal of Marketing Research*, 36(1), 29-44.

Dholakia, U.M. (2001). A motivational process model of product involvement and consumer risk perception. *European Journal of marketing*.

Dwivedi, A., Nayeem, T., & Murshed, F. (2018). Brand experience and consumers' willingness-to-pay (WTP) a price premium: Mediating role of brand credibility and perceived uniqueness. *Journal of Retailing and Consumer Services*, 44, 100-107.

Earl, P. E., & Kemp, S. (Eds). (2002). The Elgar companion to consumer research and economic psychology. Edward Elgar Publishing.

Engeset, M.G., & Opstad, B. (2017). Evaluation effects of bundle size and price presentation. *Journal of Consumer Marketing*.

Erdem, T. (1998). An empirical analysis of umbrella branding. *Journal of Marketing Research*, 35(3), 339-351.

Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics.

George, D. (2011). SPSS for windows step by step: A simple study guide and reference, 17.0 update, 10/e. Pearson Education India.

Greenleaf, D.L. (2006). Consumer Response to Price Presentation Formats: Implications for Partitioned Pricing and Transaction Bundling. *ACR North American Advances*.

Heeler, R. M., Nguyen, A., & Buff, C. (2007). Bundles= discount? Revisiting complex theories of bundle effects. *Journal of Product & Brand Management*.

Holbrook, M. B., & Hirschman, E.C. (1982). The experiential aspects of consumption: Consumer fantasies, feelings, and fun. *Journal of consumer research*, 9(2), 132-140.

Janiszewski, C., & Cunha Jr, M. (2004). The influence of price discount framing on the evaluation of a product bundle. *Journal of Consumer Research*, 30(4), 534-546.

Jones, M.A., Reynolds, K.E., & Arnold, M.J. (2006). Hedonic and utilitarian shopping value: Investigating differential effects on retail outcomes. *Journal of business research*, 59(9), 974-981.

Kahneman, D., & Tversky, A. (2013). Prospect theory: An analysis of decision under risk. *In Handbook of the fundamentals of financial decision making: Part I* (pp. 99-127).

Kapferer, J.N., & Laurent, G. (1985). Consumer involvement profiles: a new and practical approach to consumer involvement (No. hal-00786782).

Khajehzadeh, S., Oppewal, H., & Tojib, D. (2014). Consumer responses to mobile coupons: The roles of shopping motivation and regulatory fit. *Journal of Business Research*, 67(11), 2447-2455.

Kahn, U., Dhar, R., & Wertenbroch, K. (2005). A behavioral decision theoretic perspective on hedonic and utilitarian consumer choice. Inside consumption: Frontiers of research on consumer motives, goals, and desires, New York: Routledge, 144-165.

Kivetz, R., & Zheng, Y. (2017). The effects of promotions on hedonic versus utilitarian purchases. *Journal of Consumer Psychology*, 27(1), 59-68.

Kivetz, R., and Simonson, I. (2002), "Self-control for the righteous: Towards a theory of pre-commitment to indulgence". *Journal of Consumer Research*, 29(2), pp199–217.

Kivetz, R., & Zheng, Y. (2006). Determinants of justification and self-control. *Journal of Experimental Psychology: General*, 135(4), 572.

Khan, U., & Dhar, R. (2010). Price-framing effects on the purchase of hedonic and utilitarian bundles. *Journal of Marketing Research*, 47(6), 1090-1099.

Klein, K., & Melnyk, V. (2016). Speaking to the mind or the heart: Effects of matching hedonic versus utilitarian arguments and products. *Marketing letters*, 27(1), 131-142.

Leather, P., McKechnie, S., & Amirkhanian, M. (1994). The importance of likeability as a measure of television advertising effectiveness. *International Journal of Advertising*, 13(3), 265-280.

Meyers-Levy, J., & Tybout, A.M. (1989). Schema congruity as a basis for product evaluation. *Journal of consumer research*, 16(1), 39-54.

Michaelidou, N., & Dibb, S. (2006). Product involvement: an application in clothing. *Journal of Consumer Behaviour: An International Research Review*, 5(5), 442-453.

Namkoong, J.E., & Raghunathan, R. (2010). Risk-Seeking in Utilitarian Vs. Hedonic Domain: Implications For the Prospect Theory Value Function. *ACR North American Advances*.

Okada, E.M. (2005). Justification effects on consumer choice of hedonic and utilitarian goods. *Journal of marketing research*, 42(1), 43-53.

Olsen, S.O., & Skallerud, K. (2011). Retail attributes' differential effects on utilitarian versus hedonic shopping value. *Journal of Consumer Marketing*.

Petty, R.E., & Cacioppo, J.T. (1984). Source factors and the elaboration likelihood model of persuasion. *ACR North American Advances*.

Parsa, H. G., Shuster, B.K., & Bujisic, M. (2020). New classification system for the US restaurant industry: Application of utilitarian and hedonic continuum model. Cornell Hospitality Quarterly, 61(4), 379-400.

Payne, J.W., Bettman, J. R., & Johnson, E.J. (1993). The use of multiple strategies in judgment and choice.

Petty, R.E., Cacioppo, J.T., & Schumann, D. (1983). Central and peripheral routes to advertising effectiveness: The moderating role of involvement. *Journal of consumer research*, 10(2), 135-146.

Prebensen, N.K., & Rosengren, S. (2016). Experience value as a function of hedonic and utilitarian dominant services. *International Journal of Contemporary Hospitality Management*.

Rayburn, S.W., & Voss, K.E. (2013). A model of consumer's retail atmosphere perceptions. *Journal of Retailing and Consumer Services*, 20(4), 400-407.

Sarkar, A. (2011). Impact of utilitarian and hedonic shopping values on individual's perceived benefits and risks in online shopping. *International management review*, 7(1), 58.

Shiv, B., & Fedorikhin, A. (1999). Heart and mind in conflict: The interplay of affect and cognition in consumer decision making. *Journal of consumer Research*, 26(3), 278-292.

Srivastava, K., & Sharma, N.K. (2011). Exploring the multidimensional role of involvement and perceived risk in brand extension. *International Journal of Commerce and Management*.

Strahilevitz, M., & Myers, J.G. (1998). Donations to charity as purchase incentives: How well they work may depend on what you are trying to sell. *Journal of consumer research*, 24(4), 434-446.

Venkatesh, R., & Mahajan, V. (2009). The design and pricing of bundles: A review of normative guidelines and practical approaches. *Handbook of pricing research in marketing*.

Vieira, V., Santini, F.O., & Araujo, C.F. (2018). A meta-analytic review of hedonic and utilitarian shopping values. *Journal of Consumer Marketing*.

Wells, W.D. (2000). Recognition, recall, and rating scales. *Journal of Advertising Research*, 40(6), 14-20.

Yadav, M.S. (1994). How buyers evaluate product bundles: A model of anchoring and adjustment. *Journal of Consumer Research*, 21(2), 342-353.