To Hold Me Is to Love Me: the Role of Touch in the Endowment Effect

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We investigate the role of physical touch in the endowment effect – namely, whether physical characteristics of a product (i.e., whether it is fun-to-touch), along with individual differences in preference for touch, moderate the effect’s size. Sellers who are able to touch endowed items assign a higher selling price than those who don’t, suggesting that physical touch does play an important role in endowment. Analysis of both item characteristics and participants’ responses to the Need for Touch (NFT) scale suggest that it is the sensory experience associated with fun-to-touch items that supports this increase in valuation.

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EXTENDED ABSTRACT

How does touch influence the valuation of an object? Twenty-five years of research has shown that consumers place a higher valuation on an item once they have taken ownership of it, a finding commonly known as the endowment effect (Thaler 1980, Knetsch and Sindén 1984, Kahneman, Knetsch, and Thaler 1990). The effect has been replicated in a variety of settings and with a variety of endowed objects, including lottery tickets, mugs, pens, and chocolate bars (Knetsch and Sindén 1984, Kahneman et al 1990, Franciosi et al 1996, Johnson et al 1993). One feature of nearly all endowment effect experiments is that the buyers and sellers have the opportunity to physically hold the item being traded. But how does this physical contact with the item affect the endowed consumer’s valuation and sense of ownership? Can aspects of the physical features of the item, such as how much fun it is to touch and hold, influence valuation? And how might individual differences in sense of touch interact with these physical features?

The basic finding of the endowment effect is that individuals value an item higher when it is in their possession than when it is not. In the typical experiment, half of the subjects receive an item (e.g., a mug) and are told that it is theirs to sell or keep (sellers), while half do not get an item (buyers). Solicitation of selling prices and buying prices then show a significant discrepancy; sellers often require at least twice as much as buyers are willing to pay, consistent with loss aversion (Kahneman and Tversky 1979). Additional work on the endowment effect has considered ways to moderate the effect by focusing participants’ attention on certain aspects of the decision process, such as focusing on other uses for the money (Johnson, Haeubl, and Keinan 2004). Length of ownership also moderates the effect, with shorter ownership reducing (but not eliminating) it and longer ownership increasing it (Strahilevitz and Loewenstein 1998). Other recent work has looked at the role of affect, finding that endowed items can be contaminated by negative emotions such as sadness, reducing the seller’s valuation (Lerner, Small, and Smith, 2002).

The three studies presented in this paper extend research on moderating influences on the endowment effect by demonstrating the importance of physical touch in participants’ valuation of endowed objects. Based on recent research on the consumers’ use of haptic (touch) information (Peck and Childers 2003a, 2003b), we propose three hypotheses relating valuation of endowed objects and feelings of ownership to whether or not individuals can touch the item (H1), whether or not the object itself is fun-to-touch (H2), and individual differences in touch preferences (H3). Study 1 examines differences in the endowment effect for a “fun-to-touch” item when participants are either able to touch the item or not, and also considers individual differences in preferences for touch. Studies 2 and 3 test the theory with a not fun-to-touch item, again considering individual differences; we then provide a direct comparison of the Study 3 results to the Study 1 results to explicitly test how the type of object influences the effect. In addition to measuring valuation of the endowed objects, we also consider participants’ sense of ownership to understand how this interacts with the touch variables.

All three studies follow the basic procedure of the traditional endowment effect study, starting with an induced value market and using Becker, DeGroot, and Marschak (1964) elicitation procedures. In Study 1, we give 271 undergraduates a slinky, pretested as being fun-to-touch. Participants are divided into buyer (chooser) and seller roles, and also split according to whether they can actually touch the slinky itself or only examine it through its packaging. We also administer the Need for Touch (NFT) scale at the end of the study to assess individual differences. A significant endowment effect is found in both conditions; however, sellers who can touch the item value it even more than sellers who can only touch the packaging. No difference is found between choosers in the two touch conditions. We also find that individual differences in sellers’ (but not choosers’) scores on the Autotelic NFT scale, which focuses on the sensory enjoyment associated with touch, affect valuation, as predicted.

Studies 2 and 3 allow us to further investigate how the haptic features of the object itself influence valuation. Both studies use pretested “not fun-to-touch” objects: for Study 2, a keychain, and for Study 3, a package of mini-tape. In both cases we find no effect of either the touch/no touch condition or individual differences in Autotelic NFT on sellers’ (or choosers’) valuations and feelings of ownership for the objects. In Study 3, we specifically chose an item that is pretested to have objective valuation similar to the slinkies used in Study 1, allowing us to do a more direct comparison of the data from both studies. We find that endowed sellers who can touch the object feel more ownership when it is fun-to-touch (the slinky) than when it is not (the mini-tape), demonstrating that the touch characteristics of the object itself have an effect. We also found in Study 3 that individuals who score high on an Instrumental NFT scale reported higher valuation and psychological ownership of the mini-tape, which we did not predict.

How does touch influence the valuation of an object? Results of our studies suggest that for endowed items that are fun-to-touch (a slinky), and for individuals who touch because they find it fun, the ability to touch leads to higher valuation and more psychological ownership. This effect of touch on endowed items does not occur for familiar items that are not fun-to-touch, such as the keychains and mini-tape in our Studies 2 and 3. Thus, the combination of ability to touch, an item’s touch characteristics, and the individual preferences for touch of the individual lead to specific, predictable differences in object valuation.

REFERENCES


