Study shows how consumers shift expectations and goals

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Sally and Harry are about to invest in their company's 401(k) plan. Sally chooses the best performing mutual fund, which has high risks but boasts a 25 percent year-to-date return. Harry, after considering the tradeoffs between risks and rewards, opts for a lower performing fund with an 8 percent year-to-date return. When they receive their next quarterly performance reports, both Sally and Harry discover that their funds have met their initial expectations. Are they satisfied? If not, why? And how could their levels of satisfaction be improved?

One might assume that Sally and Harry would be equally pleased, since both have met their expectations. However, new research by Gita Johar, the Meyer Feldberg Professor of Business and senior vice dean of Columbia Business School, and Cecile K. Cho of the University of California, Riverside, shows that this equation is not so simple. Instead of comparing performance to an initial goal, consumers sometimes evoke an entirely different standard. In fact, poor performers tend to compare results to the highest potential results, and are therefore dissatisfied, the authors found. However, if these performers are reminded that they set their own goals-and that these goals were met-they are as satisfied as better performers.

The authors conducted two experiments involving financial decision -making and problem solving. In the financial decision-making experiment, participants set financial return goals and then constructed a portfolio based on information about different stocks. Participants then received feedback about their portfolios' performance and provided feedback about their levels of satisfaction. Similarly, in the problem-solving experiment, participants set a performance goal, performed the task, received feedback on their performance, and reported their levels of satisfaction.

The researchers found that in many instances, participants compared their performance to the best possible outcome, and that low performance resulted in low levels of satisfaction�even when participants achieved their initial goals. However, if the participants were reminded of their goals at the time that they received feedback on their performance, they reverted to their initial goals as a comparison; in those instances, low performers were as satisfied as high performers.

The study has implications for the management of consumer satisfaction. "It may be tempting, in this era of customization, to allow different customers to select their own levels of product performance," the authors wrote. "Even if the product lives up to an individual customer's goal, the longing for the potential is likely to color the customer's satisfaction." More generally, the study suggests that consumers who set "safe" goals may not be maximizing their satisfaction in the end.

Provided by Columbia Business School

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