

The impact of consumption goals on flat-rate choice

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Can you imagine a world where a subway ride becomes the highlight of your day? Where going to the laundromat isn't such a dreary duty? A recent study published in the *Journal of Service Research* found that our perception of certain services can drastically change with the right adjustments, and not everyone needs Mickey Mouse and daily parades to make their experience magical.

German professors Fabian Uhrich, Jan H. Schumann, and Florian van Wangenheim conducted studies on amusement parks, public transportation, museums, and spas to evaluate the payment behaviors of consumers. The goal: to shed light on consumer spending patterns in various service industries. Their research uncovered what they call a 'flat rate bias'; customers are more likely to pay flat rates, or fixed prices, for unlimited use of a service, instead of paying per use, regardless of whether the flat rate is the cheaper option.

"This flat rate bias contradicts standard [economic theory](#)," says Uhrich. "But it's very beneficial for service providers, because [consumer spending](#) is much more constant and predictable with flat rates." While more hedonic, or fun, services (i.e. Disney World) enjoy a natural flat rate bias, other providers of more utilitarian services (i.e. laundromats) must make adjustments so that customers perceive them as more pleasurable and satisfying.

In order to do this, the researchers say companies can initiate [marketing campaigns](#) with keywords such as fun, exciting, thrilling, delightful, or

enjoyable. Their study found that "hedonizing," or making services more enjoyable, doesn't have a negative effect on a consumer's willingness to pay, thereby making this a must-do for service firms. However, "Managers must ensure that the experience actually is enjoyable," cautions Urich, "because not delivering as promised can lead to serious customer dissatisfaction."

So, how can companies bring the fun back into business? Start with a smile; the researchers say you'll never reach success without one. Staff must be trained to provide friendly service—which is hardly surprising—but this must work in tandem with an evolved and enticing physical environment.

"Museums and zoos should offer services such as movie theaters with exciting and funny movies, nice coffee shops, and themed playgrounds," Urich explains, "Even language schools can incorporate more fun into their programs, by cooking country-specific cuisine every so often."

Some service companies and attractions in the United States have already mastered this method.

"Boston's Museum of Science is great example of a service that offers this diversified experience," says Katherine Lemon, Boston College Accenture Professor of Marketing and *Journal of Service Research* editor. "Making what otherwise might be an unpleasant educational experience much more exciting for families, through its Omni theatre and interactive exhibits."

Co-authors Urich, Schumann, and van Wangenheim point out this approach can even be applied to uninviting yet necessary entities like public transportation. For example, managers might be able to encourage [public transport](#) riders to purchase season-long passes instead of single-day tickets if they advertise with promotions that are more festive and

fun, train employees to be exceptionally friendly, and add entertainment to help offset what many consider to be a headache and hassle of their daily routine.

That said, consumers should be wary of paying flat rates if they are looking to be cost conscious because pay-per-use plans can sometimes be the more affordable option. For example, purchasing a monthly subway pass makes financial sense if someone is taking the metro everyday, but less frequent riders will save money by paying for each individual ride.

Will metro stations ever be as magical as "The Happiest Place On Earth?" Probably not, but there is certainly a future in fun when it comes to businesses - even the ones we would rather not interact with.

Provided by Boston College

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