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Cognitive Dissonance: A Study of Post Purchase Behavior of Consumers in the Context of Financial Products

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Abstract:
This research paper aims to study the dynamics of Cognitive Dissonance in the context of Financial Products. The study shall explain the relationship between Cognitive Dissonance and its effect on Brand Recommendations in the context of Financial Products.
Design/ Methodology – A survey was conducted among the customers who had bought a financial product recently from any recognized financial institution in India. Scale developed by Sweeney et al. (2000) was used to measure the magnitude of dissonance for 2 factors – "Concern for Deal" & "Wisdom of Purchase". The responses were collected through Google Form using convenience sampling.
Findings – The research found that there was no significant difference in the levels of Cognitive Dissonance due to Demographic Factors such as Age, Gender, Education, while it was observed that students felt high and medium levels of cognitive dissonance after purchasing a financial product. There was no difference between the levels of cognitive dissonance due to the different types of sellers. The type of product also did not affect the levels of cognitive dissonance except a little influence among Insurance buyers. There was a slight difference in the levels of cognitive dissonance due to few alternatives explored and none or many alternatives explored. Customer who explored few alternatives experienced more cognitive dissonance as compared to those who explored none or many alternatives. The relationship between Cognitive Dissonance and Brand Recommendation was found to be quite consistent and the research inferred that with low levels of cognitive dissonance the propensity to recommend the brand gets higher.
Practical Implications- The arousal of cognitive dissonance after the purchase decision taken can be a major concern for marketers as it can result in order cancellations before use, loss of trust for the brand and loss of word of mouth resulting in negative Brand Recommendations.
Social Implications- Marketers are responsible for Sales Volume as well as Profits for their organizations. However, they are also responsible for creating happy and loyal consumers for a win-win situation in a sales oriented transaction.

Keywords: *Cognitive dissonance, financial products, post purchase*

1. Introduction

The concept of Cognitive Dissonance was introduced by Leon Festinger (1957) after conducting an observational study of a cult (dubbed as "Seekers" by Festinger and his associates) which believed that the earth was going to be destroyed by a flood on 21st Dec 1955. Festinger and his associates predicted their behavior if the flood did not occur and subsequently they observed and studied how the members reacted when the flood did not occur. While some members felt they were fooled and considered this as an experience but the more committed members re-interpreted the evidence to show that they were all correct throughout and the earth was saved because of their efforts as if they were trying to justify their actions and faith (Cooper, 2007). Festinger stated that if a person holds two cognitions/cognitive elements ("knowledges" about himself, his environment, his opinions, his attitudes and his past behavior) that are inconsistent with one another, he will experience dissonance and will try to reduce it in one of the three ways: remove dissonant cognitions, add new consonant cognitions, or reduce the importance of dissonant cognitions.

It is a psychological phenomenon that occurs when a discrepancy exists between what person believes and the information that contradicts that belief. The consumer encounters a feeling of "regret" after taking a decision or making a purchase. This regret is due to the opposing cognitions / cognitive elements. If one cognitive element follows logically from another cognitive element, then both are said to be consonant to each other. However, those are dissonant to each other if one does not follow logically from other, thereby causing a feeling of “regret” (Festinger, 1957). The two major outcomes of the Cognitive Dissonance theory were the concept of Cognition and the Magnitude of Dissonance. Higher the discrepancy between cognitions, higher is the magnitude of the dissonance.

The origination of the concept of Cognitive Dissonance can be traced back to children and monkeys (Egan, Santos, & Bloom, 2007) to arrive to the explanation that it depends on the past knowledges acquired by an individual. The literature review suggests that enough research has been carried out and published since the formulation of the theory of cognitive dissonance (Aronson, 1992; Brehm & Cohen, 1962; Cummings & Venkatesan, 1976; Egan et al., 2007; E. Harmon-Jones & Mills, 1999; Hunt, 1970; O'Neill & Palmer, 2004; Oshikawa, 1968; Powers & Jack, 2013; Soutar & Sweeney, 2003; Jillian C. Sweeney, Hausknecht, & Soutar, 2000; Telci, Maden, & Kantur, 2011; Young "Sally, 2011).

The Cognitive Dissonance Theory assumes a drive like motivation to maintain consistency among the relevant thoughts and actions. The Theory of Cognitive Dissonance is one of the groups of cybernetic theories called consistency theories, all of which begin with the same premise: people are more comfortable with consistency than inconsistency (Heider, 1946). The evolution of the Theory of Cognitive Dissonance seems to have developed with the notion that people are more comfortable with consistency than inconsistency and try to resist, avoid or change the contradictory information and knowledges.

Various researchers tried to reject the theory out rightly (Chapanis & Chapanis, 1964; Elms & Janis, 1965; Rosenberg, 1965), provided modifications to the theory (Linder, Cooper, & Jones, 1967) and counter the cognitive dissonance theory with concepts such as individual concepts and actions, self-esteem (Aronson & Carlsmith, 1968) discrepancies between attitude and behavior (Bem, 1967), unwanted consequence (Cooper & Fazio, 1984), self-awareness (Duval & Wicklund, 1972) and moral integrity (Steele, 1988).

This research paper aims to study the dynamics of Cognitive Dissonance in the context of Financial Products. The study shall explain the relationship between Cognitive Dissonance and its effect on Brand Recommendations in the context of Financial Products.

2. Literature Review

The origination of the concept of Cognitive Dissonance can be traced back to children and monkeys (Egan, Santos, & Bloom, 2007) to arrive to the explanation that it depends on the past knowledges acquired by an individual. The literature review suggested that enough research had been carried out and published since Leon Festinger (1957) formulated the theory of cognitive dissonance , to name a few (Aronson, 1992; Brehm & Cohen, 1962; Cummings & Venkatesan, 1976; Egan et al., 2007; E. Harmon-Jones & Mills, 1999; Hunt, 1970; O'Neill & Palmer, 2004; Oshikawa, 1968; Powers & Jack, 2013; Soutar & Sweeney, 2003; Jillian C. Sweeney et al., 2000; Telci et al., 2011; Young "Sally, 2011). Researchers observed role of sales person in the arousal of dissonance among consumers and stressed that organizations should ensure that the sales person’s behavior and consumer interface was leading to satisfaction and not dissonance (Jillian C. Sweeney et al., 2000).Few researchers also studied the music (Jilian C. Sweeney & Wyber, 2002) and the aesthetics in the store as well as store image (Hunt, 1970)in making the consumers feel comfortable with their purchase decision and thereby reducing cognitive dissonance. The consumers related the brand image and ambience with quality offerings and hence the perceived value. Service Quality perceptions changed or declined after elapse of time with consumers trying to justify the decision taken (George & Edward, 2009; O'Neill & Palmer, 2004). However, organizations may have faced a risk of word of mouth recommendations from these consumers as these consumers may be less vocal about their negative emotions but they may not proactively promote the brand. Researchers have used the theory of cognitive dissonance in marketing area extensively to address post purchase behavior of the consumers at various stages and how it can be controlled or reduced. Post purchase communications may affect the consumers either ways as suggested by (Hunt, 1970). Hence organizations have to carefully choose the type of post purchase communication mode to connect with the consumers. The consumer’s decision of purchase should get strengthened rather than create a doubt in the mind due to the post purchase communications. Researchers also studied assurance from celebrities, local opinion leaders and reputed citizens may also strengthen the attitudes towards a particular brand and ensure the consumers do not feel regret post purchase. Majority of studies in past are from USA, Europe, Australia, Turkey, Israel, and Iran with very few studies in Indian context (Bawa & Kansal, 2008; Chockalingam, Deshpande, & Jacob, 1998; George & Edward, 2009) which focused on services, ethics in jobs and purchase involvement respectively. Hence a huge opportunity lies ahead to explore this topic in emerging markets like India.

2.1. Objective of the Study

This research paper aims to study the dynamics of Cognitive Dissonance in the context of Financial Products. The study shall explain the relationship between Cognitive Dissonance and its effect on Brand Recommendations in the context of Financial Products.

2.2. Research Methodology

This is a Quantitative Study (Bryman & Bell, 2011) to understand and measure Cognitive Dissonance post purchase in the context of Products offered by Financial Institutions. Reliability of the standard instrument of Cognitive dissonance (Sweeney et al., 2000) has been mapped along with the analysis of the data using Cross Tabulation and Correlations. The standard scale developed by Sweeney et al., (2000) was used with 2 factors for this study. The 2 factors being considered are “concern for deal” and “wisdom of purchase” with total of 7 items.

2.3. Research Objectives

1. To understand the effect of Demographic Profile on the magnitude of Cognitive Dissonance in the context of Financial Products
2. To understand the effect of type of Financial Product on the magnitude of Cognitive Dissonance
3. To understand the effect of type of Financial Institution on the magnitude of Cognitive Dissonance
4. To understand the effect of number of alternatives explored before purchase on the magnitude of Cognitive Dissonance
5. To understand the relationship between the magnitude of Cognitive Dissonance and the probability of Brand Recommendation by the consumer.

2.4. Research Questions

1. Will there be a difference in the magnitude of Cognitive Dissonance due to Age groups of Consumers?
2. Will there be a difference in the magnitude of Cognitive Dissonance due to Gender of Consumers?
3. Will there be a difference in the magnitude of Cognitive Dissonance due to Educational Qualifications of Consumers?
4. Will there be a difference in the magnitude of Cognitive Dissonance due to Occupation of Consumers?
5. Will there be a difference in the magnitude of Cognitive Dissonance due to the type of the Financial Products bought by the Consumers?
6. Will there be a difference in the magnitude of Cognitive Dissonance due to the type of the Financial Institution from where Consumers bought the product?
7. Will there be a difference in the magnitude of Cognitive Dissonance due to the number of alternatives explored by the Consumers before purchase?
8. What would be the effect of the magnitude of Cognitive Dissonance on the Brand Recommendations by the consumer?

3. Sample & Data

The sample (Malhotra, 2008) for the survey shall be drawn from the individuals above 21 years of age who have bought any financial product from a financial institution. The sampling technique used here was convenience sampling. The responses were collected using a Google form by sending the form to the existing connections in India through emails and total 71 valid responses were used for data analysis. The sample consisted of 63.4% males and 36.6% of females with 88.7% qualified as post graduates and above. Majority of them (85.9%) were employed with private sector.

4. Analysis

The data Reliability of the scale was performed through Cronbach's Alpha. The reliability of scale shot to 0.818 with removal of 2 items from the scale – "Was right choice" and "Was Right Thing" in buying that product. So these 2 items were removed for further processing. Cross Tabulation was performed to understand if there was a significant difference due to various parameters on the magnitude of Cognitive Dissonance.

Majority of the respondents reported low levels of Cognitive Dissonance with 91% of males reporting low levels of Cognitive Dissonance and 96% of females reporting low levels of Cognitive Dissonance. Salaried, Self Employed & Home Makers reported low levels of Cognitive Dissonance while 40% Students reported high and medium levels of Cognitive Dissonance. The age groups above 35 years of age reported very low levels of Cognitive Dissonance with only 10% of the younger age group of below 35 years reported high and medium levels of Cognitive Dissonance. Only 4.4 % of the buyers who bought from Private Enterprises experienced High and Medium levels of cognitive dissonance while 12.5 % of the buyers who bought from Public Sector enterprises experienced High & Medium levels of Cognitive Dissonance. Those who did not explore alternatives experienced either no cognitive dissonance or very low levels of cognitive dissonance. 5% of those who explored many alternatives before purchase experienced medium level of cognitive dissonance. 10% of those who explored few alternatives experienced High & Medium levels of Cognitive Dissonance. 5% Post Graduate and 18% Above Post Graduates reported high and medium levels of Cognitive Dissonance while Graduates, professionals and others reported low levels of Cognitive Dissonance. Respondents who bought Loans & Investment Products experienced either no cognitive dissonance or low levels of cognitive dissonance, while 9% of those who bought insurance experienced high levels of Cognitive Dissonance. Correlation was performed to understand the relationship between the magnitude of cognitive dissonance and the propensity to recommend a brand. The Correlation was found to be significant to infer that with Low levels of Cognitive Dissonance the propensity to recommend a Brand is Higher.

5. Conclusion

The Cross Tabulation analysis for the research questions framed indicates that major demographic factors do not have any effect on the cognitive dissonance, except for a small affect in case of students. Hence we infer that cognitive dissonance is not dependent on the demographic characteristics of the respondents. The correlation results showed significant relationship between brand recommendations and cognitive dissonance. Lower the dissonance, higher the probability of brand recommendation.

6. Limitations & Future Scope

The data collected had majority of respondents from salaried segment as well as young age group of below 35 years of age; hence research based on stratified sampling can be explored to generalize the results. The emotional component has not been considered while measuring the degree of cognitive dissonance that may also make the results differ. Since the majority of responses were from postgraduates and above postgraduates, the sample from other categories may be not enough to define the results for those categories. The product category chosen is Financial Products and the results may be different with tangible goods.

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Questionnaire

Q1 – What is Your Name/Email Id? (Optional)

Q2 – Gender – a) Male b) Female

Q3 – What is your Occupation?
- a) Salaried
- b) Self Employed
- c) Home Maker
- d) Retired
- e) Student
- f) Other

Q4 – What is your Age?
- a) Up To 35 Years
- b) Above 35 years and Up To 50 years
- c) Above 50 years

Q5 - What is your Educational Qualification?
- a) Under Graduate
- b) Graduate
- c) Post Graduate
- d) Professional
- e) Above Post Graduate

Q6 – What was your last purchase among the following? (**Tick Any One**)
- a) Automobile Loan
- b) Home Loan
- c) Personal Loan
- d) Business Loan
- e) Consumer Loan
- f) Fixed Deposit
- g) Life Insurance
- h) General Insurance (Non-Life) – Motor, Household, Fire, Mediclaim etc…
- i) Gold Coins
- j) Gold ETFs
- k) Mutual Fund
- l) Stock Trading Account
- m) Others (Please Specify)

Q7 – From where did you buy your last Financial Product?
- a) Private Sector Bank
- b) Public Sector Bank
- c) Non Banking Finance Company
- d) Cooperative Bank
- e) Brokers – Like ICICI Direct, Angel Broking, ShareKhan etc..
- f) Life Insurance Corporation
- g) Private Life Insurance Providers
- h) Public Sector General Insurance Providers
- i) Private Sector General Insurance Providers
- j) Asset Management Companies
- k) Others---(Please specify)

Q8 – Did you explore alternatives before purchasing the product?
- a) None
- b) Few
- c) Many

Q 8 – Name the Financial Institution from you purchased the Product?

Q9 to Q 15 are for understanding the consumer behavior after the purchase decision was taken. These questions are to be answered based on the most likelihood of the situation **Tick Only One Option** (√)						
After I bought this product I felt		1	2	3	4	5
Q9	I did not need this product	Strongly Agree	Agree	Neutral	DisAgree	Strongly DisAgree
Q10	I should not have bought anything at all	Strongly Agree	Agree	Neutral	DisAgree	Strongly DisAgree
Q11	I made the right choice	Strongly Agree	Agree	Neutral	DisAgree	Strongly DisAgree
Q12	I did the right thing in buying this product	Strongly Agree	Agree	Neutral	DisAgree	Strongly DisAgree
Q13	I was fooled	Strongly Agree	Agree	Neutral	DisAgree	Strongly DisAgree
Q14	They spun me a line (Spun a line- to try to make someone believe that something is true)	Strongly Agree	Agree	Neutral	DisAgree	Strongly DisAgree
Q15	There was something wrong with the deal I got	Strongly Agree	Agree	Neutral	DisAgree	Strongly DisAgree

In view of your responses to Q 9 to Q15…..Please answer the Q16

Q16	I will Recommend this Brand / Financial Institution to Others A) Sure ------------------(5) B) Probably Yes -------(4) C) May Be ------ ------- (3) D) Probably Not------- (2) E) Not at All ------------(1)