Journal of Business Research 99 (2019) 80–86

Contents lists available at ScienceDirect

Journal of Business Research

journal homepage: www.elsevier.com/locate/jbusres

The effect of the preorder strategy on consumers' product choice: The moderating role of product experience and payment timing

Sung Youl Jun[a,*], Kyung Ho Kim[b], Hye Kyung Park[a]

[a] Sogang Business School, Sogang University, 35 Backbeom-ro, Mapo-gu, Seoul 04107, Republic of Korea
[b] Keimyung University, 1095 Dalgubul-daero, Dalseo-Gu, DaeGu 42601, Republic of Korea

ARTICLE INFO

Keywords:
Preorder strategy
Product experience
Payment timing
Desirability
Feasibility
Consumers' product choice

ABSTRACT

This article examines how the preorder strategy influences the consumers' product choice. The results reveal that consumers who preorder are more likely to choose a high price, high performance option rather than a low price, low performance option.

Product experience is a key moderator of the effects of the preorder strategy. During the preorder period, more inexperienced consumers chose a premium option (front orchestra seats) than a value option (rear orchestra seats). However, for experienced consumers, the preorder effect disappears. In addition, the timing of payment also moderates the effect of the preorder strategy. Respondents in the preorder & pay-later condition chose the premium option (front orchestra seats) more often than those in the preorder & pay-now and regular selling & pay-now conditions. However, the respondents' choice of the premium option did not show a significant difference between the preorder and pay-now condition and the regular selling & pay-now condition.

1. Introduction

In late 2009, Apple released the iPhone 3GS in South Korea on preorder. Consumers could preorder the iPhone 3GS up to a week before it was released in order to acquire it immediately upon its launch. Apple recorded a total of 848,206 sales for the iPhone 3GS in South Korea, not including business to business sales. The preorder sales amounted to 3.08% of the total (N = 26,102). At the time, consumers had a choice between the 16G and 32G models of the iPhone 3GS. Interestingly, the sales data (Table 1) show that the share of the 32G model (the high price and high performance option) decreased significantly during the regular selling period (i.e., after-launch sales) as compared with the preorder purchase period (dropping from 43.7% to 32.6%; $\beta = 0.472$, $Wald(1) = 1381.26$, $p < .001$). This result gives rise to the research questions of whether and how the preorder strategy affects the consumers' product choice.

The preorder strategy is a new product-launch tactic that allows consumers to purchase new products prior to their release (Chu & Zhang, 2011). Popular products such as Apple's iPhone, Microsoft's Windows 7, Nintendo's Wii, and Sony's PlayStation 3 are available for preorder. As firms have turned increasingly towards a preorder strategy for new product releases, the strategy has drawn attention from academic researchers.

In light of the practical importance of the preorder strategy, considerable research has shown that firms benefit in a variety of ways when using a preorder strategy, including the ability to predict demand before a product is released (Chen, 2001; Li & Zhang, 2013; Moe & Fader, 2002) and the ability to maximize sales (Li & Zhang, 2013). Additionally, research has explored why consumers preorder a new product, despite the high risk involved. The reasons include obtaining lower prices (Chatterjee, 2009; Dana Jr, 1998) and ensuring earlier product ownership (Li & Zhang, 2013; Xie & Shugan, 2009).

However, few studies have investigated how the preorder strategy influences the consumers' product choice when deciding between different options of the same product (e.g., the high price, high performance option and the low price, low performance option). By focusing on the psychological and behavioral effects of the preorder strategy, this research offers a set of important findings regarding the effect of temporal distance on consumer choice that occurs when preordering a product. The remainder of this paper is organized as follows. We first review key findings from previous research on the preorder strategy and develop our hypotheses regarding the effects of the preorder strategy on consumers' product choice. Then, we test our predictions with three laboratory experiments. We conclude with the theoretical and managerial implications of our findings regarding the effects of the preorder strategy on consumer's product choice.

* Corresponding author.
E-mail addresses: syjun@sogang.ac.kr (S.Y. Jun), khkim@kmu.ac.kr (K.H. Kim).

https://doi.org/10.1016/j.jbusres.2019.02.024
Received 4 April 2018; Received in revised form 10 February 2019; Accepted 12 February 2019

Table 1
Number of iPhone 3GS sales in South Korea (2009–2010).

Models: Memory (Price)	Sales period	
	Preorder period (preordered before launch)	Regular selling period (purchased after launch)
Low-price option: 16G (814,000 KRW)	14,693 (56.3%)	553,839 (67.4%)
High-performance option: 32G (946,000 KRW)	11,409 (43.7%)	268,265 (32.6%)

2. Theoretical background

2.1. Preorder strategy

Literature on the preorder strategy can be divided into two categories. The first concerns the reasons for preordering, and the second concerns the reasons a firm would use the preorder strategy.

In general, the more uncertainty a consumer feels regarding a product, the more likely that consumer is to postpone or avoid their purchasing decision (Tversky & Shafir, 1992). The uncertainty consumers perceive with preordering is higher than with regular purchases because of the time gap between ordering and the product release. Considering this greater uncertainty, it is interesting to examine why consumers preorder new products. Previous literature highlights two reasons. One is that by preordering consumers have the advantage of receiving a new product earlier (Li & Zhang, 2013; Xie & Shugan, 2009). For example, if there is greater demand than supply for a product by the release date, as was the case with the iPhone 3GS, consumers who preorder have the luxury of receiving the product upon release while others are forced to wait indeterminately to obtain the product. The other reason is that some firms provide discounted prices for preordered products (Chatterjee, 2009; Dana Jr, 1998). Microsoft, for example, implemented a price-discount policy for preorder consumers with the release of Windows 7, appealing to price sensitive consumers (McCardle, Rajaram, & Tang, 2004; Tang, Rajaram, Alptekinoğlu, & Ou, 2004).

The preorder strategy provides a variety of benefits not only to consumers but also to the sellers who employ it. First, firms can predict demand in advance of a product's release (Chen, 2001; Li & Zhang, 2013; Moe & Fader, 2002; Tang et al., 2004). When a new product that is totally different from already existing products is released to the market, it is hard to predict consumers' demand. By using a preorder strategy, firms can partially estimate this highly uncertain consumer demand. Once firms using a preorder strategy obtain demand information in advance for a new product, they can take appropriate steps such as purchasing parts necessary for the product, adjusting their production schedule, and managing inventories efficiently (Li & Zhang, 2013).

Secondly, the preorder strategy allows firms to implement a pricing strategy to help them maximize sales (Li & Zhang, 2013). By offering an option to preorder products, they can take advantage of two pricing strategies: skim pricing and penetration pricing. Skim pricing targets early adopters, who are either less sensitive to price or brand loyalists, at a relatively high price during the preorder period. The firm then lowers its regular price and sells the product to the public in order to maximize sales (McCardle et al., 2004; Tang et al., 2004). In contrast, penetration pricing targets consumers attracted to lower prices and then charges a higher price after the product's release in order to maximize sales (Dana Jr, 1998).

Finally, a preorder strategy can benefit both firms and consumers when dealing with products with uncertain future values (e.g., tickets for performances, sporting games, and services). The future value of such tickets is uncertain, as it fluctuates based on demand. Therefore, if demand is lower than anticipated, a preorder strategy enables firms to secure customers in advance. If demand is greater than anticipated, consumers can guarantee tickets before prices increase (Chu & Zhang, 2011; Xie & Shugan, 2001). In this case, a preorder strategy has the advantage of boosting the sales volume of products and services more than regular marketing strategies would (Shugan & Xie, 2000; Xie & Shugan, 2001), bringing higher profit margins (Desiraju & Shugan, 1999). Although previous studies shed light on the benefits of the preorder strategy for both consumers and firms, they did not examine the important issue of how the preorder strategy influences consumer choice between two different options of the same product. The objective of this research is to extend the findings of previous research by addressing this issue.

2.2. The effects of the preorder strategy on consumer's product choice

Previous research has shown that consumer preference is inconsistent over time (Loewenstein, 1996; Mischel, Shoda, & Rodriguez, 1989; Rachlin, 1995). In particular, temporal distance affects people's construal level on a product or event (Liberman & Trope, 1998; Trope & Liberman, 2000, 2003, 2010). When temporal distance is large, consumers see events from a high-level construal perspective, leading them to make abstract, general, and superordinate evaluations of certain events or objects, decontextualizing them. On the other hand, when temporal distance is small, consumers take a low-level construal viewpoint, causing individuals to follow concrete, specific, and subordinate thinking, and subsequently to make contextualized decisions (Liberman & Trope, 1998; Trope & Liberman, 2000, 2003, 2010).

We expect that consumers' preorder decisions are influenced through the effect of temporal distance on construal levels. Specifically, the difference between high-level and low-level construal directly influences the relative importance a consumer places on desirability and feasibility. With larger temporal distances (the distant future), consumers take a high-level construal perspective and thus value the desirability of the choice option; with smaller temporal distances (the near future), consumers who take a low-level perspective give priority to feasibility (Liberman & Trope, 1998; Trope, Liberman, & Wakslak, 2007).

Therefore, the temporal distance generated by the preorder strategy causes consumers to pay more attention to the product's desirability than to its feasibility. The reverse is also true when there is little temporal distance (consumers purchase a product after its release); consumers are likely to weigh feasibility over desirability.

According to previous studies, desirability is related to a positive end state, while feasibility is related to the difficulty in achieving the goal (Liberman & Trope, 1998). For example, in the case of students, high grades are related to desirability, whereas time and effort invested are related to feasibility. All products have the two attributes of desirability and feasibility; aspects such as product efficiency and utility are related to desirability, while price and effort are related to feasibility (Trope et al., 2007). When deciding on a product with different configuration options available, tradeoffs between desirability and feasibility are taken into account. For example, when consumers decide to buy a Galaxy S7 (Samsung's new smart-phone), they must make a choice between the 32G and the 64G model. In this example, they will choose the 64G model if they assign a priority to desirability. If, however, feasibility is prioritized, the 32G model will be chosen because of its lower price.

Accordingly, unlike consumers during the regular selling period, consumers who preorder are expected to be more inclined to choose a desirable option, a high-performance option with a higher price than to choose a feasible option, a low-performance option with a lower price. Therefore, we expect the following:

H1. Consumers are more likely to choose a high price, high performance option than a low price, low performance option during

the preorder period as compared with the regular selling period.

3. Study 1: the influence of the preorder strategy on consumers' product choice

In Study 1, the main objective is to test whether the preorder strategy influences consumers' product choice. We used hypothetical scenarios about purchasing Apple's new MacBook Air, in which we manipulated purchase situations (i.e., either preorder it before its release or purchase it after its launch).

3.1. Method

For Study 1, we recruited 100 students (52 males, 48 females) from a major university in Seoul, Korea. Using a between-subjects design, we randomly assigned participants into one of two groups, with each group being given a scenario describing the sales period (the preorder period vs. the regular selling period).

Respondents in the preorder-period condition read, "This October, the new MacBook Air will be released" in a large bold font, followed by the smaller-font message, "You can preorder a new MacBook Air 3 months before its release." The 3-month period was chosen based on previous studies (Trope & Liberman, 2000). Conversely, respondents assigned to the regular-selling-period group read, "Today, the new MacBook Air has been released" in a large bold font, followed by the smaller-font message, "You can purchase and receive a new MacBook Air now." After reading the scenario, all participants were asked to choose either a MacBook Air premium (i.e., the high price, high performance option) or a MacBook Air basic (i.e., the low price, low performance option). The information given to the participants regarding the MacBook Air basic and premium described four features: CPU, memory, storage, and price. The basic specifications were: 1.8GHz CPU, 4GB memory, 128GB storage, and a price of 1,599,000 KRW. The premium specifications were: 2.2GHz CPU, 8GB memory, 256GB storage, and a price of 1,999,000 KRW.

No payment timing information was explicitly given in Study 1 because it is a common expectation that payment occurs on receipt of the product, not before. Furthermore, in Study 3 we also examined the effect of the payment timing on the preorder effect.

It should be noted that we randomly assigned the participants to one of two conditions (preorder period vs. regular selling period) to investigate the effect of the preorder strategy on their product choice. However, in actual purchase situations, consumers self-select into these two conditions. Especially, in the market of high-tech products such as the MacBook Air which was used as the experimental stimulus in our experiment, those who choose to place an advance order are more likely to be innovators or early adopters compared with those who purchase the product in the regular selling period. Furthermore, according to Ramirez and Goldsmith (2009), innovative consumers are less price sensitive than non-innovative consumers. Therefore, in order to enhance the external validity of this research, it is necessary to design an experimental setting that either employs low tech products as the experimental stimulus so that there is little variation among consumers in term of innovativeness, or elaborately incorporates the choice between the preorder period and the regular selling period as an additional variable.

3.2. Results and discussion

To test our hypothesis, we conducted a binary logistic regression analysis. Our analysis confirmed our prediction that the preorder strategy influences consumer choice, and hence the share of the high price, high performance option would be higher during the preorder period condition than during the regular selling period condition. As predicted, we found that the preorder strategy significantly influenced consumer choice ($\beta = 0.812$, $Wald(1) = 3.951$, $p < .05$), indicating that more respondents in the preorder-period condition chose the high price, high performance option (62%) compared with those in the regular selling period group who chose the high price, high performance option (42%). These results support hypothesis 1 and show that the preorder strategy increases the share of the high price, high performance option.

Although the field data of the iPhone 3GS and the experimental results of Study 1 support our hypothesis 1, some boundary conditions may affect the aforementioned effects of the preorder strategy. In fact, the iPhone 3GS was the first smart-phone launched in South Korea. Thus, most iPhone 3GS consumers in South Korea did not have prior product experience. Similarly, most of the respondents in Study 1 had little prior experience with MacBooks as well because the MacBook Air had very low market share in the laptop market (2.56%) when we conducted the experiment. Thus, we explore the boundary condition of product experience as a moderator. Will the same preorder effect occur in consumers who do have prior product experience?

The South Korean iPhone 5G sales data during late 2012 show an interesting phenomenon. Apple recorded a total of 50,871 sales for the iPhone 5G in South Korea during that period, 47.49% of which occurred during the preorder period ($N = 24{,}158$). Note that customers who preordered paid for the phone when they received it. We categorized the sales data into two groups, either with prior experience of smart-phones or without. Then, for each group, we analyzed the sales of the 32G model versus the 16G model during the preorder period versus the regular selling period. The results show that, for inexperienced consumers (i.e., non-smart-phone users), the share of the high price, high performance option (the 32G model) was significantly higher during the preorder period (40.4%) than during the regular selling period (28.1%; $\beta = -0.55$, $Wald(1) = 131.24$, $p < .001$). We found a similar pattern for experienced consumers (i.e., smart-phone users): the share of the high price, high performance option (the 32G model) was significantly higher during the preorder period (39.1%) than during the regular selling period (29.4%; $\beta = -0.43$, $Wald(1) = 449.01$, $p < .001$). Interestingly, however, the difference in shares of the high price, high performance option between the two periods (the preorder and regular selling period) was smaller for experienced consumers (9.7%) than for inexperienced consumers (12.3%; see Table 2). These results appear to indicate that experienced consumers are less susceptible to the effects of the preorder strategy compared with inexperienced consumers, suggesting that product experience can moderate the preorder strategy effect. In order to verify this, we propose Study 2 as follows.

4. Study 2: the moderating role of prior product experience on the preorder strategy effect

When consumers purchase a product that they have never experienced before, they find it difficult to evaluate the attributes or options available on the product. For example, consider the situation of a consumer purchasing a smart-phone for the first time. Three models are

Table 2
Number of iPhone 5G sales in South Korea (2012).

	Inexperienced consumers (non-smart-phone user)		Experienced consumers (smart-phone user)	
	16G	32G	16G	32G
A. Preorder period (preordered before launch)	2067 (59.6%)	1401 (40.4%)	12,602 (60.9%)	8088 (39.1%)
B. Regular selling period (purchased after launch)	3203 (71.9%)	1252 (28.1%)	15,721 (70.6%)	6537 (29.4%)

released with memories of 8G, 16G, and 32G, respectively; in addition to different options for memory, there are distinct differences in price among the three models. Consumers may not be confident when making a choice because of a lack of information about which model is most appropriate for their needs (e.g., whether 16G of memory is sufficient or not). Experienced consumers may feel more confident about their choice because they have learned which memory is most appropriate according to their personal usage patterns (e.g., "The memory of iPhone 16G was enough for me").

Hoeffler and Ariely (1999) demonstrate that experienced consumers make choices largely based on their product experience and have more stable preferences than inexperienced consumers. The former tends to use internal information accumulated through product experience while making a choice, whereas the latter tends to use more external information involving contextual factors (Feldman & Lynch, 1988; Hoeffler & Ariely, 1999; Krosnick & Schuman, 1988; Tourangeau & Rasinski, 1988). Consistent with this finding, Hoch and Ha (1986) suggest that the influence of advertising on a consumer's product evaluation increases when the consumer's product experience is ambiguous; however, advertising influence decreases when the consumer's product experience is high. These findings imply that as consumers accumulate product experience, the effects of contextual factors on a choice will decrease while the influence of internal information will increase (Lavine, Huff, Wagner, & Sweeney, 1998; Simonson, 2008), thus revealing more stable preferences than inexperienced consumers.

In this article, we discuss how the temporal distance generated by the preorder strategy may influence consumer choice. Consumers who preorder a product will place greater weight on the product's desirability than on its feasibility, whereas consumers who purchase the product after its release will attach more importance to its feasibility than to its desirability. However, experienced consumers may be less susceptible to the influence of a temporal cue (temporal distance), as they come to know which attributes are more relevant for enhancing their utility. As a result, we expect that experienced consumers have more stable preferences than inexperienced consumers (Hoeffler & Ariely, 1999; Lavine et al., 1998; Loginova, 2016; Loginova, Wang, & Zeng, 2017). Accordingly, we expect that experienced consumers are less influenced by the preorder strategy than inexperienced consumers. This leads to hypothesis 2:

H2. The effects of the preorder strategy will be strongly attenuated for experienced consumers as compared with inexperienced consumers.

4.1. Method

In Study 2, we conducted an experiment to examine the moderating role that product experience has on the preorder strategy and to enrich our understanding of the process underlying the preorder effects. We used fictitious scenarios about purchasing tickets for a musical in order to control for potential exogenous variables.

For this study, we recruited 122 participants (61 males, 61 females) from two parallel classes (i.e., students studying the same subject and in the same year of study) from a university in Seoul, Korea. This study employed two variables, the sales period (preorder period vs. regular selling period) and previous product experience (yes vs. no), using a between-subjects design. We randomly assigned participants to one of the sales-period conditions: the preorder period ($N = 57$) and the regular selling period ($N = 65$).

We asked all participants to read a scenario that we manipulated. We used the famous musical, *Wicked,* as an experimental stimulus because, unlike the MacBook Air, the high tech product stimulus used in Study 1, the musical is expected to show less variation among consumers in term of innovativeness. Thus, it enhances the external validity of the research by reducing the potential confounding effect of the unequal distribution of innovative consumers between experimental groups.

The scenario first described the date that the musical would be showing and presented a picture depicting *Wicked*. In the preorder period condition, the description read, "*September* 2014," followed by the smaller-font message, "*Watch in 3 months*: *Wicked*." In contrast, for the regular selling period condition, the description read "*Today*, *2014*," followed by the smaller-font message, "*Watch Today*: *Wicked.*" After reading each scenario, participants were asked to choose between the front orchestra seats (i.e., the high price, high performance option sold at a price of 110,000 KRW) and the rear orchestra seats (i.e., the low price, low performance option sold at a price of 80,000 KRW). We manipulated the ticket prices for this experiment based on their actual prices in the market. We provided participants with a picture of the seating layout that highlighted the location of the seating options.

To divide the participants into two groups (experienced vs. inexperienced consumers), we asked whether they had watched any musical before in a theater with a size similar to that of the Blue Square Hall in Samsung Theater, where *Wicked* was performed. We divided them based on their responses. We classified respondents who had watched a musical before as experienced consumers ($N = 48$), whereas we classified respondents who had never watched a musical before as inexperienced consumers ($N = 74$).

In order to check if the sales-period (preorder period vs. regular selling period) was properly manipulated, we used two distant-future measures and two near-future measures. Our two distant-future measures were "There is a lot of time before I watch '*Wicked*'" and "Watching '*Wicked*' is in the distant future for me," and our two near-future measures were "There is not a lot of time before I watch 'Wicked' and Watching '*Wicked*' is in the near future for me." Participants indicated how much they agreed with the above statements using a 7-point scale (1 = 'I do not agree'; 7 = 'I completely agree'). We averaged the two distant-future and two near-future measures ($\alpha = 0.96$ and $\alpha = 0.93$, respectively).

4.2. Results and discussion

We conducted a manipulation check to ensure that participants presented with the preorder time frame scenario were appropriately primed for the distant future, and those presented with the regular time frame scenario were primed for the near future. The results showed that the participants in the preorder condition rated the distant future measures significantly higher ($M_{\text{preorder}} = 5.67$, $SD = 1.22$ vs. $M_{\text{regular}} = 2.27$, $SD = 1.49$; $t(101) = -12.51$, $p < .001$) and rated the near future measures significantly lower ($M_{\text{preorder}} = 2.66$, $SD = 1.18$ vs. $M_{\text{regular}} = 5.35$, $SD = 1.51$; $t(101) = 9.90$, $p < .001$) than those in the regular selling condition did. Thus, our manipulations operated as intended.

The results were as predicted. A binary logistic regression indicated that the main effects of the sales period ($ß = -0.74$, $Wald(1) = 1.30$, $p > .10$) and consumer experience ($ß = -0.90$, $Wald(1) = 2.08$, $p > .10$) were not significant. However, a significant interaction emerged between the sales period and consumer experience ($ß = 1.92$, $Wald(1) = 5.33$, $p < .05$). Specifically, we conducted simple contrast analysis. As Fig. 1 shows, for inexperienced consumers, the choice of the high price, high performance option (a front orchestra seat) was significantly higher during the preorder period (79.5%) than during the regular selling period (54.3%; $ß = 1.18$, $Wald(1) = 5.14$, $p < .05$). This result is consistent with the findings of Study 1, which also employed inexperienced consumers. In contrast, for experienced consumers, there was no significant difference between the preorder period (61.1%) and the regular selling period (76.7%; $ß = -0.74$, $Wald(1) = 1.30$, $p > .10$). Thus, these results support hypothesis 2.

The results of this experiment support hypothesis 2 by demonstrating that a consumer's level of experience with a product moderates the effects of the preorder strategy. Specifically, experienced consumers are less susceptible to the preorder strategy, whereas inexperienced consumers more often choose the high price, high performance option during the preorder period than during the regular selling period. In

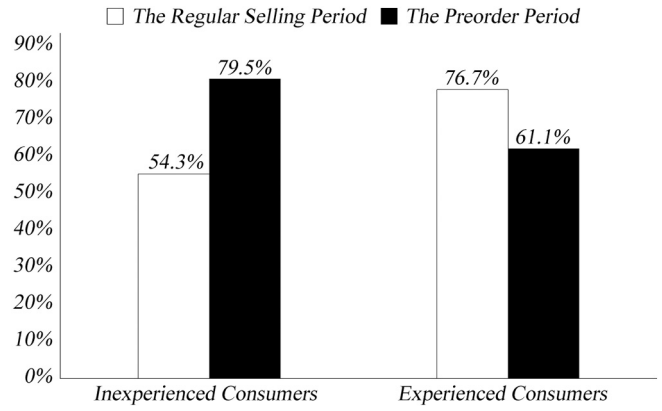

Fig. 1. Percentage of consumers who chose a front orchestra seat in Study 2.

sum, the preorder strategy is highly effective for inexperienced consumers whereas it was not effective at all for experienced consumers.

However, in Studies 1 & 2, we didn't take into account the timing of payment when consumers preordered a product. Companies usually have two options for the payment timing when they employ the preorder strategy. The first is to require consumers to pay at the moment of preordering a product (e.g., Microsoft used this strategy for the Windows 7). The second is that consumers are required to pay upon receiving the product (e.g., Apple used this strategy). Previous studies have suggested that consumers' preferences and behaviors may vary depending on the timing of payment (Gourville & Soman, 1998; Prelec & Loewenstein, 1998). Accordingly, we expect that the timing of payment may influence the effects of the preorder strategy. Thus, in Study 3, we investigate whether and how the payment timing influences the effects of the preorder strategy.

5. Study 3: the moderating role of payment timing

We expect that the timing of payment (payment on preorder vs. payment on receipt) influences the consumers' mental simulation of their purchasing process (i.e., the act of paying) when they preorder a product, and consequently affects their choice.

Mental simulation is the imitative mental representation (Taylor & Schneider, 1989) and it can be differentiated into process simulation which focuses on the process for reaching a goal and outcome simulation which focuses on the final benefit of achieving a goal (Castaño, Sujan, Kacker, & Sujan, 2008; Escalas & Luce, 2004; Taylor, Pham, Rivkin, & Armor, 1998; Zhao, Hoeffler, & Zauberman, 2007, 2011). Previous research used a priming technique for activating mental simulation. For example, Castaño et al. (2008) asked subjects to think of the benefits of taking a virtual course in order to activate the outcome simulation, they also asked subjects to imagine the procedural details of taking a virtual course in order to activate the process simulation. As a result, those in the process-simulation conditions thought more about the "hows" of enrolling, whereas those in the outcome-simulation conditions thought more about the "whys" of enrolling.

Zhao et al. (2007) suggest that process simulation leads to concrete representations, subsequently increasing the weight of feasibility-related attributes. They asked subjects to think about an interest or benefit of the assignment to activate outcome simulation, and asked subjects to imagine the efforts required to complete an assignment to activate process simulation. Their results revealed that those in the process simulation condition put more emphasis on the feasibility-related attributes and thus indicated a greater preference for the less interesting but easier topic than those in the control condition.

Similarly, we expect that if consumers are required to pay upon preordering a product versus upon receiving the product, their mental simulation of the purchasing process is more likely to activate. The payment timing induced process simulation will then activate concrete mental representations, and subsequently increase the relative importance of feasibility-related attributes (i.e., price). As such, the increased weight of desirability attributes because of the high-level construal induced by the temporal distance will decrease. Thus, we expect that the payment timing may moderate the effect of the preorder strategy on consumer choice. Specifically, for the distant future, the payment timing induced process simulation is likely to cause a change in preferences, strongly attenuating the preorder effect. This leads to the following Hypothesis 3:

H3. The effects of the preorder strategy will be attenuated when consumers are required to pay on preordering a product versus paying on receipt of the product.

5.1. Method

In Study 3, we conducted an experiment to test the moderating role of the payment timing. We recruited a sample size of 242 undergraduate students in a lab facility. Six participants who had experienced our stimulus product were excluded, leaving us with a sample size of 236 (170 female) participants. This study employed a one-way design with three conditions and the participants were randomly assigned to one of the three conditions: the regular selling period & pay-now condition ($N = 78$), the preorder period & pay-now condition ($N = 77$), and the preorder period & pay-later condition ($N = 81$).

Participants received fictitious scenarios about purchasing a circus ticket. We used the circus "*Toruk–The First Flight*" as our experimental stimulus. Since *Toruk* was newly released in December 2015 by the Cirque du Soleil in Montreal, Canada, we assumed that participants were unfamiliar with the show. We manipulated both the purchase decision timing (preorder vs. regular selling) and the payment timing (pay-now vs. pay-later). The scenario first described the show with a picture depicting "*Toruk – The First Flight*." Then, in the regular selling period & pay-now condition, the participants were given a message "Watch Today: *Toruk – The First Flight*" followed by "In order to watch this show, you must pay right now." In the preorder period & pay-now condition, the message presented to the participants was "*Watch in 3 months: Toruk – The First Flight*," followed by "In order to watch this show, you must pay right now." Lastly, in the preorder period & pay-later condition, the message was "*Watch in 3 months: Toruk – The First Flight*," followed by "In order to watch this show, you may pay at the door." After reading the given scenario, participants were asked to choose between the front orchestra seats (i.e., the high price, high performance option sold at a price of 110,000 KRW) and the rear orchestra seats (i.e., the low price, low performance option sold at a price of 80,000 KRW). We provided participants with a picture of the seating layout that highlighted the location of the seating options.

In order to check if the sales-period (the preorder period vs. the regular selling period) and the payment timing (pay-now vs. pay-later) were properly manipulated, we asked participants to write down the exact date that they would watch the show and the payment timing. All participants properly answered according to the manipulated conditions, thus we used all the data for the analysis. In Study 2, we found that there was no preorder strategy effect for experienced consumers. To control the consumers' experience, we asked whether participants had watched *Toruk* before, and six participants who had watched the show were excluded.

5.2. Results and discussion

We summarize the results in Fig. 2. To test hypothesis 3, we used a binary logistic regression with one independent variable (1 = the regular selling period & pay-now, 2 = the preorder period & pay-now, 3 = the preorder period & pay-later). As predicted, there are significant differences among the three conditions ($Wald(2) = 7.79$, $p < .05$). In

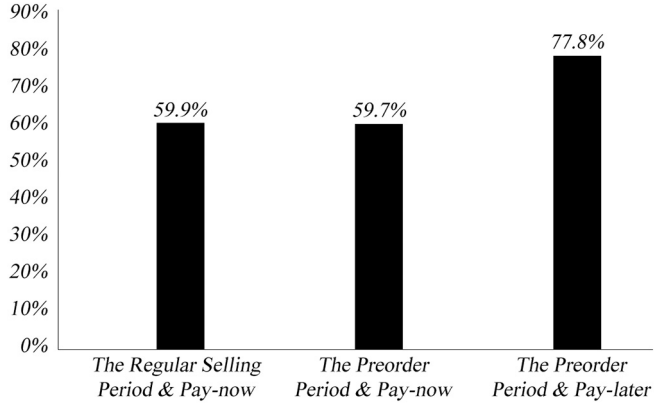

Fig. 2. Percentage of consumers who chose a front orchestra seat in Study 3.

the preorder period & pay-later condition, the choice of the high price, high performance option (a front orchestra seat) was significantly higher (77.8%) than in the preorder period & pay-now condition (59.7%; $ß = 0.89$, $Wald(1) = 6.36$, $p < .05$) and in the regular selling period & pay-now condition (59.9%; $ß = 0.86$, $Wald(1) = 5.87$, $p < .05$). However, there was no significant difference between the preorder period & pay-now condition (59.7%) and the regular selling period & pay-now condition (59.9%; $ß = -0.03$, $Wald(1) = 0.009$, $p > .50$). Thus, these results support hypothesis 3.

6. General discussion

Across all three studies, we have shown that the preorder strategy does influence consumer's product choice and that product experience and payment timing does moderate the effects of the preorder strategy. In Study 1, we demonstrate that the choice of the high price, high performance option is higher than that of the low price, low performance option when consumers preorder a product before its release, whereas this tendency decreases when the product is purchased after its release. In Study 2, we find that product experience moderates the effects of the preorder strategy. Results indicate that there was no preorder strategy effect when consumers had prior experience with the product. In Study 3, we find that payment timing can also serve as a moderator of the effects of the preorder strategy. According to the results, the preorder strategy has an effect when consumers are allowed to pay upon actually receiving a product or service. However, the preorder effect does not exist when consumers are required to pay upon preordering a product or service.

6.1. Theoretical contributions

Our findings make several theoretical contributions. Prior research focused on the economic benefits of the preorder strategy for both companies and consumers (e.g., Li & Zhang, 2013; Xie & Shugan, 2009). We extend this literature on preorder strategy by demonstrating that the preorder strategy also influences consumers' product choice. We show that when consumers preorder a product, they more often prefer the high price, high performance option over the low price, low performance option. By focusing on the psychological and behavioral effects of the preorder strategy, this finding allows us to expand preorder strategy research beyond economic analysis.

Furthermore, many researchers have been interested in how the construal level theory can be applied to marketing and consumer behavior research, examining domains such as new products (Alexander, Lynch Jr, & Wang, 2008), context effects (Khan, Zhu, & Kalra, 2011), brand extensions (Kim & John, 2008), price-quality relationships (Yan & Sengupta, 2011), consumer evaluations (Kim, Zhang, & Li, 2008), advertising (Martin, Gnoth, & Strong, 2009), and memory (Kim, Park, & Wyer Jr, 2009). The current research adds to the literature on the construal level theory by investigating the effects of temporal distance induced by the preorder strategy. We observed that consumer choice can be influenced by the purchasing period (i.e., the preorder period vs. the regular selling period).

Finally, we have identified two factors (i.e., product experience and payment timing) that moderate the effects of the preorder strategy. Each factor moderates the effect of the preorder strategy by different mechanisms. Since experienced consumers are less influenced by contextual information than inexperienced consumers (Hoeffler & Ariely, 1999; Lavine et al., 1998), the effects of the preorder strategy may be negligible. Regarding the payment timing, when inexperienced consumers are required to pay upon preordering a product, they may put more weight on feasibility-related attributes such as price in their decision-making, because of the activation of the process simulation. As a result, the effects of the preorder strategy may disappear. The two moderating factors of the preorder strategy effect investigated in this study may also be regarded as moderators of the influence of the temporal distance proposed in the construal level theory.

6.2. Managerial implications

Our findings make important managerial contributions. First, we show that when consumers preorder, the proportion of the high price, high performance option purchased is higher than the low price, low performance option. This result suggests that the preorder strategy may help companies increase profit when launching a new product. Because consumers who preorder are more likely to purchase the high price, high performance option despite a higher price, companies can increase profit in the preorder period. Thus, with knowledge of this consumer tendency, marketing managers can maximize profit by promoting the desirability of a new product (i.e., high performance) during the preorder period.

Second, our research reveals which consumer characteristics are most susceptible to the preorder strategy. We show that consumers who have prior product experience are less susceptible to the influences of the preorder strategy. In comparison with inexperienced consumers, experienced consumers have more stable product preferences, regardless of whether a product is preordered. This finding obviously suggests that the preorder strategy should focus on inexperienced consumers as a target group. However, the more challenging issue is what a firm may have to do when it introduces the sequel version later after the initial version (e.g., Apple iPhone 5G after its initial 3G). Because of the experience consumers have had with a firm's initial version of the product, the preorder effect is likely to be weak with the sequel version. In order to avoid the attenuated preorder effect with experienced consumers, a firm should ensure that its sequel version possesses highly innovative features that consumers may find quite different from those of the initial version. The innovative sequel is likely to lead to unstable preferences which, in turn, are likely to increase the impact of the preorder strategy on consumers' choice because they will be more sensitive to contextual effects (Hoeffler, 2003; Hoeffler & Ariely, 1999).

Third, the results of Study 2 showed that the preorder effect simply disappeared for experienced consumers. However, the magnitude of the attenuation of the preorder effect for experienced consumers may depend on the nature of the experience. Earlier, we discussed the attenuation of the preorder effect with smart-phones as an example. However, the experience associated with technical products such as smart-phones may not strongly attenuate the preorder effect because developing experience with these highly technical products involves learning of many technical and complex functions and takes a relatively longer time for consumers to sufficiently develop the high level of internal knowledge. On the other hand, the experience with experiential products such as musicals or a circus may strongly attenuate the preorder effect since developing experience associated with experiential products is primarily sensory-based and does not require a high level of

expertise for the development of internal knowledge. Thus, it readily serves as the basis to make a choice decision only with limited instances of product use. The results of Study 2, which used the experiential product, do indeed show a much stronger attenuation of the preorder effect for experienced consumers when compared with those of Study 1 which used a function-oriented technical product. The experience-based attenuation of the preorder effect appears to be particularly serious for experiential products when compared with functional products with highly technical features.

Finally, we have also identified a situation in which the preorder strategy effect can be strengthened in relation to payment timing. According to our results, it is more likely that preordering consumers will choose a premium option when making payment on receipt of the product rather than having to make payment at the time of preordering the product. Accordingly, marketers need to adjust the payment timing to achieve higher sales through preorder strategies.

Despite these findings and managerial implications, our research is limited in that we did not fully incorporate the behavioral characteristics of consumers in actual purchase situations into our experimental setting. In other words, in reality consumers make the choice, they are not randomly assigned, between placing an advance order and purchasing a product in the regular selling period and those who choose to place an advance order are more likely to be innovators or early adopters with less price sensitivity. We used a musical as the experimental stimulus in Study 2 to reduce such limitations because a musical is expected to show relatively less variation among consumers in terms of innovativeness. However, it is still not sufficient to fully reflect the reality in actual purchase situations. Thus, it will be necessary to overcome this limitation in future research to increase the research validity.

Acknowledgement

The authors thank SKT and KT, the two leading telecommunication companies in South Korea, for the iPhone sales data collection.

References

Alexander, D. L., Lynch, J. G., Jr., & Wang, Q. (2008). As time goes by: Do cold feet follow warm intentions for really new versus incrementally new products? *Journal of Marketing Research, 45*(3), 307–319.

Castaño, R., Sujan, M., Kacker, M., & Sujan, H. (2008). Managing consumer uncertainty in the adoption of new products: Temporal distance and mental simulation. *Journal of Marketing Research, 45*(3), 320–336.

Chatterjee, R. (2009). Strategic pricing of new products and services. In V. R. Rao (Ed.). *Handbook of pricing research in marketing* (pp. 169–215). Cheltenham, UK·Northampton, MA, USA: Edward Elgar Publishing.

Chen, F. (2001). Market segmentation, advanced demand information, and supply chain performance. *Manufacturing & Service Operations Management, 3*(1), 53–67.

Chu, L. Y., & Zhang, H. (2011). Optimal preorder strategy with endogenous information control. *Management Science, 57*(6), 1055–1077.

Dana, J. D., Jr. (1998). Advance-purchase discounts and price discrimination in competitive markets. *Journal of Political Economy, 106*(2), 395–422.

Desiraju, R., & Shugan, S. M. (1999). Strategic service pricing and yield management. *The Journal of Marketing, 63*(1), 44–56.

Escalas, J. E., & Luce, M. F. (2004). Understanding the effects of process-focused versus outcome-focused thought in response to advertising. *Journal of Consumer Research, 31*(2), 274–285.

Feldman, J. M., & Lynch, J. G. (1988). Self-generated validity and other effects of measurement on belief, attitude, intention, and behavior. *Journal of Applied Psychology, 73*(3), 421–435.

Gourville, J. T., & Soman, D. (1998). Payment depreciation: The behavioral effects of temporally separating payments from consumption. *Journal of Consumer Research, 25*(2), 160–174.

Hoch, S. J., & Ha, Y. W. (1986). Consumer learning: Advertising and the ambiguity of product experience. *Journal of Consumer Research, 13*(2), 221–233.

Hoeffler, S. (2003). Measuring preferences for really new products. *Journal of Marketing Research, 40*(4), 406–420.

Hoeffler, S., & Ariely, D. (1999). Constructing stable preferences: A look into dimensions of experience and their impact on preference stability. *Journal of Consumer Psychology, 8*(2), 113–139.

Khan, U., Zhu, M., & Kalra, A. (2011). When trade-offs matter: The effect of choice construal on context effects. *Journal of Marketing Research, 48*(1), 62–71.

Kim, H., & John, D. R. (2008). Consumer response to brand extensions: Construal level as a moderator of the importance of perceived fit. *Journal of Consumer Psychology, 18*(2), 116–126.

Kim, K., Zhang, M., & Li, X. (2008). Effects of temporal and social distance on consumer evaluations. *Journal of Consumer Research, 35*(4), 706–713.

Kim, Y. J., Park, J., & Wyer, R. S., Jr. (2009). Effects of temporal distance and memory on consumer judgments. *Journal of Consumer Research, 36*(4), 634–645.

Krosnick, J. A., & Schuman, H. (1988). Attitude intensity, importance, and certainty and susceptibility to response effects. *Journal of Personality and Social Psychology, 54*(6), 940–952.

Lavine, H., Huff, J. W., Wagner, S. H., & Sweeney, D. (1998). The moderating influence of attitude strength on the susceptibility to context effects in attitude surveys. *Journal of Personality and Social Psychology, 75*(2), 359–373.

Li, C., & Zhang, F. (2013). Advance demand information, price discrimination, and preorder strategies. *Manufacturing & Service Operations Management, 15*(1), 57–71.

Liberman, N., & Trope, Y. (1998). The role of feasibility and desirability considerations in near and distant future decisions: A test of temporal construal theory. *Journal of Personality and Social Psychology, 75*(1), 5–18.

Loewenstein, G. (1996). Out of control: Visceral influences on behavior. *Organizational Behavior and Human Decision Processes, 65*(3), 272–292.

Loginova, O. (2016). Pricing strategies in advance selling: Should a retailer offer a preorder price guarantee? *Review of Industrial Organization, 49*(3), 465–489.

Loginova, O., Wang, X. H., & Zeng, C. (2017). Learning in advance selling with heterogeneous consumers. *Managerial and Decision Economics, 38*(6), 765–783.

Martin, B. A., Gnoth, J., & Strong, C. (2009). Temporal construal in advertising. *Journal of Advertising, 38*(3), 5–20.

McCardle, K., Rajaram, K., & Tang, C. S. (2004). Advance booking discount programs under retail competition. *Management Science, 50*(5), 701–708.

Mischel, W., Shoda, Y., & Rodriguez, M. I. (1989). Delay of gratification in children. *Science, 244*(4907), 933–938.

Moe, W. W., & Fader, P. S. (2002). Fast-track: Article using advance purchase orders to forecast new product sales. *Marketing Science, 21*(3), 347–364.

Prelec, D., & Loewenstein, G. (1998). The red and the black: Mental accounting of savings and debt. *Marketing Science, 17*(1), 4–28.

Rachlin, H. (1995). Self-control: Beyond commitment. *Behavioral and Brain Sciences, 18*(11), 109–121.

Ramirez, E., & Goldsmith, R. E. (2009). Some antecedents of price sensitivity. *Journal of Marketing Theory and Practice, 17*(3), 199–214.

Shugan, S. M., & Xie, J. (2000). Advance pricing of services and other implications of separating purchase and consumption. *Journal of Service Research, 2*(3), 227–239.

Simonson, I. (2008). Regarding inherent preferences. *Journal of Consumer Psychology, 18*(3), 191–196.

Tang, C. S., Rajaram, K., Alptekinoğlu, A., & Ou, J. (2004). The benefits of advance booking discount programs: Model and analysis. *Management Science, 50*(4), 465–478.

Taylor, S. E., Pham, L. B., Rivkin, I. D., & Armor, D. A. (1998). Harnessing the imagination: Mental simulation, self-regulation, and coping. *American Psychologist, 53*(4), 429–439.

Taylor, S. E., & Schneider, S. K. (1989). Coping and the simulation of events. *Social Cognition, 7*(2), 174–194.

Tourangeau, R., & Rasinski, K. A. (1988). Cognitive processes underlying context effects in attitude measurement. *Psychological Bulletin, 103*(3), 299–314.

Trope, Y., & Liberman, N. (2000). Temporal construal and time-dependent changes in preference. *Journal of Personality and Social Psychology, 79*(6), 876–889.

Trope, Y., & Liberman, N. (2003). Temporal construal. *Psychological Review, 110*(3), 403–421.

Trope, Y., & Liberman, N. (2010). Construal-level theory of psychological distance. *Psychological Review, 117*(2), 440–463.

Trope, Y., Liberman, N., & Wakslak, C. (2007). Construal levels and psychological distance: Effects on representation, prediction, evaluation, and behavior. *Journal of Consumer Psychology, 17*(2), 83–95.

Tversky, A., & Shafir, E. (1992). Choice under conflict: The dynamics of deferred decision. *Psychological Science, 3*(6), 358–361.

Xie, J., & Shugan, S. M. (2001). Electronic tickets, smart cards, and online prepayments: When and how to advance sell. *Marketing Science, 20*(3), 219–243.

Xie, J., & Shugan, S. M. (2009). Advance selling. In V. R. Rao (Ed.). *Handbook of pricing research in marketing* (pp. 451–476). Northampton, MA: Edward Elgar Publishing.

Yan, D., & Sengupta, J. (2011). Effects of construal level on the price-quality relationship. *Journal of Consumer Research, 38*(2), 376–389.

Zhao, M., Hoeffler, S., & Zauberman, G. (2007). Mental simulation and preference consistency over time: The role of process-versus outcome-focused thoughts. *Journal of Marketing Research, 44*(3), 379–388.

Zhao, M., Hoeffler, S., & Zauberman, G. (2011). Mental simulation and product evaluation: The affective and cognitive dimensions of process versus outcome simulation. *Journal of Marketing Research, 48*(5), 827–839.