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Will “No-Ownership” Work for Apparel? The Endowment Effect and Perceived Risk of Collaborative Consumption

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American consumers constantly buy new stuff while refusing to part with the old. Consequently, these goods often reside in rentable self-storage space; a practice one in 10 US households now participate (selfstorage.org, 2015). Why do consumers continue to accumulate things they do not use rather than selling them to others or renting without the burden of ownership? One reason is that people value things they own more highly than things owned by others, making it painful to switch to another item or consign it at a much lower price. Researchers explain this tendency as the endowment effect and have found that people value goods included in the endowment more highly than those not held in the endowment (Ariely et al., 2005). The endowment effect is more pronounced for hedonic goods and for goods closely associated with the self (Dommer & Swaminathan, 2013), such as clothes and accessories. Thus, removing ownership of such items may be more painful to consumers than that of other types of products.

This theoretical evidence offers a useful framework to explain why consumers perceive more risk in engaging in collaborative consumption (CC) for apparel products than other products like cars and toys. Defined as “people coordinating the acquisition and distribution of a resource for a fee or other compensation” (Belk, 2014), CC has significantly changed the way people consume resources from everyday goods (e.g., cars, toys) to non-product assets (e.g., space, skills). In the apparel marketplace, four CC modes are currently facilitated: short-term renting, subscription-based renting, swapping, and consigning (Park & Joyner Armstrong, 2017). However, despite the rapid growth of CC, adoption has been slow particularly in the apparel industry. For example, two major swapping sites for apparel and consumer goods including Swapstyle.com and Yerdle.com were recently dissolved or merged into another company.

What makes it harder to engage in CC for apparel products? According to the endowment effect, product ownership involving the sense of possession increases the attractiveness of the good because the possession becomes associated with the owner’s self (Ariely et al., 2005). Apparel goods are often used for self-enhancement, and consumers may be reluctant to remove ownership through CC because of the strength of the possession-self bond (Dommer & Swaminathan, 2013). This study proposes two drivers of the endowment effect including a sense of ownership and possession-self association, and hypothesizes that these constructs positively affect perceived risk of CC, which in turn impedes adoption of CC. Additionally, it was hypothesized that consumers’ involvement with apparel products would strengthen the impact of sense of ownership on perceived risk (from the cognitive perspective), while consumers’ emotional attachment to apparel would strengthen the impact of possession-self bond on perceived risk (from the affective perspective). Five hypotheses were developed as follows:

H1: The greater a sense of ownership consumers feel for their apparel, the greater the perceived risk of CC for apparel; H2: The greater consumers perceive apparel as a part of the
self, the greater the perceived risk of CC for apparel; **H3:** The greater the perceived risk of CC for apparel, the less likely consumers adopt CC for apparel; **H4:** Consumers’ involvement with apparel strengthens the impact of sense of ownership on perceived risk of CC for apparel; **H5:** Consumers’ emotional attachment to apparel strengthens the impact of possession-self bond on perceived risk of CC for apparel.

The research model including these hypotheses was tested across four different CC modes for apparel, including short-term renting, subscription-based renting, swapping, and consigning (Park & Joyner Armstrong, 2017). The data were collected through a US market research firm specializing in consumer online surveys. To describe different modes of CC, the scenarios were created with a hypothetical website for each of four CC modes (e.g., fashionlibrary.com, swapwithmefashions.com). Respondents were randomly assigned to one of the scenarios and read the description of the CC mode prior to proceeding to survey questions. All measurement scales were adapted from the literature. Sample distribution was as follows: short-term renting (n = 464), subscription-based renting (n = 459), swapping (n = 461), and consigning (n = 457). Among a total of 1841 respondents, 77.3% of respondents were female, and more than three quarters of the respondents were white-Americans. The largest number (22.2%) of respondents was aged 18-30, followed by 31-40 (20.9%) and 50-60 (20.7%).

After verifying the good fit of the measurement models, structural equation modeling was conducted to examine causal relationships among constructs for each CC mode. The effect of sense of ownership on perceived risk (H1) was significant for all CC modes but consigning. However, the possession-self link did not predict perceived risk for any CC modes, rejecting H2. The significant negative impact of perceived risk on adoption intention was supported for all CC modes, thereby supporting H3. Because the moderating effect can be tested only when the direct effect (H2) is supported, the moderating effect of product involvement only was tested. The multi-group analysis revealed that product involvement strengthened the impact of sense of ownership on perceived risk for short-term renting, but not the other three CC modes.

This research provides a theoretical account of why apparel consumers are reluctant to engage in CC. The results suggest that the sense of ownership (“this is mine”) is important for the apparel goods, and this increases the perceived risk of CC. However, possession-self bond (“this is part of what I am”) did not predict perceived risk. It is possible that the association between the item and the self is an outcome of the sense of ownership or a moderator that strengthens the effect of ownership on perceived risk. Future research could also investigate other potential predictors that could explain the perceived risk of CC for apparel.


