

# Reward or Punish? – How financial incentives interact with regulatory focus to enhance sustainable consumer behavior

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## **Abstract**

Financial incentives have been stated as one fruitful path in increasing sustainable consumer behavior. However, it is not yet clear under which circumstances positive financial incentives (e.g., discounts) and negative financial incentives (e.g., surcharges) are most effective. Through a randomized experiment, we find that the effectiveness of positive and negative financial incentives is dependent on customers' regulatory focus. More specifically, people with a promotion focus prefer attaining gains, which is more aligned with positive financial incentives. People with a prevention focus, on the other hand, prefer avoiding losses, which is more aligned with negative financial incentives. Thus, this study offers a resolution to inconsistencies in previous literature as well as insights to marketers and policymakers using financial incentives to enhance sustainable consumer behavior.

**Subject Areas:** *Consumer Behaviour, Decision-Making, Intention-Behavior Link, Promotion*

**Track:** Social Responsibility & Ethics