Choosing to Consume Later: Determinants of Future-Biased Choice

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EXTENDED ABSTRACT

Introduction
For most items, the default behavior is to consume quickly. However, there are various situations where seizing the immediate occasion to “use it now” is traded off against waiting for better opportunities. The decision to wait (via procrastination) occurs most often for negative experiences. But are there cases where delay occurs for positive opportunities? This paper addresses this question by examining two timing rules of thumb: occasion matching and option preservation. General aspects of the situations that cause each rule to be invoked are outlined. Situations where the rules result in systematic future-bias are then explored in more detail.

Occasion matching
Many consumption choices come down to the question of finding the optimal time. We question whether now is the time to take our vacation days, drink that special bottle of wine, or use up our frequent flier miles. In each case the dilemma is between seizing the immediate occasion and waiting for a (possibly elusive) better occasion in the future. One way to simplify the problem is to define a rule based on matching item to occasion: the consumer predefines an “optimal” occasion at which consumption should happen and then holds the item until the criteria for that optimal occasion is met. There are three conditions under which such occasion matching leads to future bias:

1. Occasion matching leads to future bias when the satisfying occasion threshold is set too high. Consumption thresholds are likely to be set high when an item’s usage is highly constrained to ensure that rare or indulgent items are not used indiscriminately. This will be most true for singleton items and for indulgences, which are often constrained by mental accounting and other self-control rules (Thaler 1985, 1999, Heath & Soll 1996, Kivetz & Simonon 2002). Once the threshold is set, psychological effects of thinking about that focal outcome will make its probability of occurrence be overestimated (Koehler 1994, Wilson, Wheatley, Meyers, Gilbert & Axsom 2000). Focal thinking can also lead to undervaluing of second-best outcomes, such that individuals are unwilling to settle for anything below their threshold.

2. Occasion matching leads to future bias when the conjunctive probability of meeting multiple occasion criteria is overestimated. For some occasions to be judged an optimal match, they are required to excel on multiple dimensions. Consider the ideal occasion to open a special bottle of wine: it must be special across many measures – perhaps a night that is romantic, follows a good week at work, when kids are asleep, and dinner was exceptionally well-prepared. Again, saved items are likely to be indulgences whose used is constrained by self-control rules. In addition, the multi-dimensional aspects of the occasion imply that this strategy will be even more pronounced for experiential indulgences (Van Boven & Gilovich 2003).

Studies 2 and 3 investigate the likelihood of delayed consumption for a variety of items. Results show that hedonic measures, experiential measures, and likelihood of purchase are all significant in predicting respondents’ likelihood of saving the item for a special occasion. A significant interaction term also suggests that it is not just any hedonic items that are saved, but specifically hedonic items that are not regularly purchased by the consumer. Respondents indicated that they were waiting for a “perfect” occasion to consume saved items, and agreed that occasions for saved items were rarer than for non-saved items.

3. Occasion matching leads to future bias when tomorrow is always predicted to be a better match than today. The distant future is often construed at a higher, more abstract level than the present (Liberman, Sagristano & Trope 2002, Trope & Liberman 2003). The desirable aspects of distant future occasions are most salient, while the detailed feasibility aspects of the same occasion are neglected. Thus, when planning an enjoyable event, the future always seems like a better match than today. Unfortunately, this is a myopic perspective: once the future arrives, feasibility aspects are again salient, and the choice is again to delay. The delaying decision will continue to be repeated so long as we fail to realize that future periods are no better than the current state. Prescriptive advice for counteracting myopic procrastination is to restrict the individual’s options by making the window of opportunity to complete the task more limited (O’Donoghue & Rabin 1999). For example, Kivetz & Simonon (2002) show that individuals who fail to indulge regularly use precommitment techniques to force themselves into a specific planned indulgence. Another example is the difference between living in a city for many years and visiting it; the visitor is likely to see the major local landmarks while the resident always plans to go but never does.

Study 4’s results support the prediction that differences in temporal construal make the far future seem like a more appealing time to consume an indulgence (a trip to a spa) than the near future. As expected, there was a significant effect of temporal distance on predictions of spa gift certificate usage. Respondents considering use within the next week expect to be busier than those predicting use in a week a month from now; they also have a higher willingness to pay to extend the certificate’s expiration date.

Discussion
Although not discussed in detail within this abstract, a second rule, option preservation, also contributes to delayed consumption. Under option preservation, the consumer is focused on keeping future options available even at the cost of overall lower utility. These option preservation motives lead to future bias when expensive options are maintained “just in case” they may be needed later (Wansink, Brasel & Amjad 2000, Shin & Ariely 2004), when lesser alternatives are chosen over preferred outcomes just to avoid immediate waste (Arkes 1996, Schweitzer & Cachon 2000, Krishna & Zhang 1999), or when the probability of immediate defeat is overweighted relative to loss probabilities in later stages (Yates & Watts 1975, Keren & Wagenaar 1985, Thaler 2000).

Understanding future-bias and its effects on consumption provides additional insight into the boundaries of self-control and time inconsistency. Where previous research has demonstrated the...
ways in which individuals fail at self-control efforts, cases of future-bias seem to suggest that there are situations in which individuals are overly successful at restraining themselves. By better understanding this behavior, we may also be able to identify prescriptive advice that helps people learn to indulge and enjoy their long-saved luxuries.

References


