Discounting Pleasure? Lay Intuitions About the Value of Deferred Hedonic Experience

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This research explores the role of discounting as a lay belief that people use to evaluate consumption at different temporal distances. We find that people have an intuition that money in the future is worth less than money in the present, and they apply this intuition uniformly when evaluating future hedonic experiences in terms of monetary value. However, they are less likely to hold such intuitions for relatively unquantifiable measures of value, such as rated enjoyment. Hence future hedonic experiences are not discounted as systematically depending on how the consumption is temporally framed (i.e. consider the immediate or delayed consumption first).

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Both price and brand name are extrinsic cues that consumers use to infer a product’s quality, but consumers integrate inferences of quality with perceptions of monetary sacrifice associated with a product’s price to arrive at conclusions about the value of a product (Monroe, 2003). Thus brand name might guide perceptions of quality but the dual role of price in assessing sacrifice and quality will make price information more diagnostic to consumers (see also Maheswaran, Mackie, and Chaiken, 1992). Since the ability to evaluate non-diagnostic sequences requires substantial attentional components of working memory (Baddeley, 2000), sorting of information by brand is likely to strain consumers’ ability to process information, while a price sort consistent with memory for prices may be less burdensome. Based on process theories on attitude formation and change (Chaiken et al. 1989) it is predicted that when there is low motivation to process information consumers will use heuristic processing that takes less effort and capacity. On the other hand, when there is high motivation to process information and the competitive information is sorted by price, it is expected that systematic processing will occur. However, when information is sorted by brand names consumers may resort to heuristic processing despite a high motivation to process.

Method
Undergraduate students participated in a between-subjects experimental design: 2 (motivation to process: low vs. high) x 2 (price of focal product: low vs. high) x 2 (information sort: price vs. brand name). The focal product was a DVD player which was described along with its price and the participants were given the description of this product along with a booklet containing sorted information (either by price or brand name) on additional products. The dependent variables included measures for perceptions of sacrifice, quality and value.

Results and Conclusion
The results supported the hypothesized interaction between motivation to process information and sorting of information on the evaluation of high and low priced target products. As expected, the perceptions of quality and sacrifice mediated the effects of the independent variables on perceived value. The results suggest that sorting of product information by brand name (vs. price) resulted in an increased reliance on price-quality heuristics when evaluating a product. These results are consistent with Pechmann and Ratneshwar’s (1992) finding that when information is not diagnostic, consumers rely more on the heuristics to assess the given data. However, the results from the current study also point the important role played by consumers’ motivation to process information, as in the low motivation condition, neither the brand name sort nor the price sort influenced the use of product information.

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Lay beliefs have been shown to affect consumer judgments and behavior in a number of domains (e.g. Ross and Nisbett 1991). This research explores the role of discounting as another lay belief that people use to evaluate hedonic consumption at different temporal distances. Given familiarity with financial markets (e.g. interest rates), individuals generally believe that money in the future is worth less than money in the present. Indeed, research has shown that individuals discount the monetary value of consumption that is temporally distant (Ainslie 1975). Over time, this may become a well-learned lay belief or rule (Amir and Ariely 2007) that generalizes across situations (Hsee et al. 2003) and is invoked and applied in situations involving monetary considerations. Accordingly, we propose that when evaluating consumption in terms of money, people consistently discount delayed consumption irrespective of its temporal framing.

However, monetary considerations are not the only means that individuals use to evaluate consumption (e.g. Soman 2004). Consumption may also be evaluated in terms of predicted enjoyment. This is a relatively unquantifiable measure of value, where such rules are less likely to be invoked (Amir and Ariely 2007). In this case, we hypothesize that individuals may not positively discount delayed consumption across the board. Instead, judgments of predicted utility may be based on how the consumption is construed. We study two
specific temporal framings—“forward” sequences (i.e., evaluations of immediate consumption elicited before delayed) and “backward” sequences (i.e., delayed consumption evaluated first). According to temporal construal theory (Liberman and Trope 1998), people may have different initial construals of these sequences. Based on the assumption of “blocking” (Feldman and Lynch 1988), these initial construals may influence subsequent decision processes. We predict that in backward sequences, as per construal level theory (Trope and Liberman 2003) individuals focus on desirability when evaluating delayed consumption. This increases the salience of desirability considerations, which carries over to their subsequent assessment of the immediate consumption. The increased salience of desirability considerations makes the immediate consumption more attractive, since the consumption is hedonic to begin with. As a result, the immediate consumption is judged to be more positive than the delayed consumption, consistent with the standard discounting effect. In contrast, in forward sequences, individuals focus on feasibility when evaluating immediate consumption. Later, when they evaluate delayed consumption, they again focus on feasibility considerations. This increases the attractiveness of the delayed consumption, since constraints and effort requirements are often underweighted when they are in the distant future (Soman 1998). Hence delayed consumption is judged more favorably than immediate consumption, resulting in negative discounting.

In this research, we test these predictions in three studies. In experiment 1, we manipulate the temporal framing of the consumption episodes in terms of the order in which they were evaluated (i.e., forward versus backward sequences). Participants were told to imagine that they would enjoy a delicious dinner in a fancy restaurant, either tomorrow or one month later, and were asked to evaluate the consumption. They were then asked to evaluate the consumption assuming it was instead one month later (or tomorrow). The order of sequences was counterbalanced. Further, some participants made their evaluations in terms of willingness to pay (i.e., a monetary metric), while others predicted their enjoyment ratings. Results showed that the monetary metric, participants consistently discounted the delayed consumption in a manner consistent with discounting theory, regardless of whether they first considered the immediate or the delayed consumption. A different pattern of results was observed when the evaluations were made in terms of enjoyment ratings. Here participants discounted the delayed consumption only in the backward sequence, if they first evaluated the delayed dinner. In contrast, when the immediate dinner was evaluated first, the delayed consumption was evaluated more positively than the immediate consumption, thereby showing negative discounting.

Experiment 2 had two aims. The first was to show that lay beliefs in discounting are applied consistently across monetary assessments, and the second was to illustrate that negative discounting in the forward sequence occurred due to a focus on feasibility considerations. In this study, the procedure was similar to that in experiment 1. Participants were asked to evaluate either immediate or delayed consumption first, and in terms of either WTP or enjoyment ratings. Unlike experiment 1, they were told to imagine that they would attend a concert that featured their favorite singer. In addition, we manipulated feasibility by the location of the concert. In the high (vs. low) feasibility condition, participants were told that the venue was near (vs. far from) their home. Results showed that when evaluating in terms of monetary considerations, participants consistently discounted delayed consumption irrespective of temporal framing and feasibility condition. However, when evaluating using enjoyment ratings, participants discounted delayed consumption if they first evaluated the delayed concert—irrespective of feasibility condition. When the immediate concert was evaluated first, negative discounting was observed only in the low feasibility condition, thereby supporting our predictions.

Experiment 3 investigated the effect of the accessibility of the lay belief in discounting. If an alternative way to evaluate the consumption is made salient (e.g. via a prior task involving enjoyment ratings), individuals are less likely to use their lay belief in discounting as an input in their WTP assessment. Participants were asked to imagine that they would enjoy a delicious dinner in a fancy restaurant, either tomorrow or one month later. All participants first reported enjoyment ratings and their WTP for both the immediate and the delayed dinner, evaluating either the immediate or the delayed consumption first. The results of study 1 were replicated for the enjoyment ratings, with participants discounting delayed consumption if they first evaluated the delayed dinner, but not when they first evaluated the immediate dinner. The WTP metric showed a different pattern. Here, when participants first evaluated the delayed dinner, they discounted it in a manner similar to the enjoyment ratings. However, WTP for the immediate and delayed dinners did not differ when participants first evaluated the immediate dinner. In other words, since participants reported negative discounting when they first evaluated both dinners in terms of enjoyment ratings, they later also showed less discounting of WTP assessments. This demonstrates that when evaluations in terms of enjoyment ratings are made salient, individuals are less likely to use their lay beliefs in monetary discounting, thereby supporting our hypothesis.

To summarize, we demonstrate that people hold a lay belief in discounting of monetary considerations. This lay belief is utilized irrespective of the framing of the temporal orientations unless alternative ways of valuation are made accessible. In contrast, since people are less likely to hold this lay belief in discounting of enjoyment ratings, they are more likely to focus on the consumption itself when making the predictions. Therefore, different framings of temporal orientations will have different effects on the valuation of immediate and delayed consumption— with discounting only being observed if the lay belief is made accessible.

References