Scope Neglect in Spending Time

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Much like money, time is an economic resource. However people don’t treat both currencies in the same fashion. In this paper we demonstrate that people often display a significant degree of magnitude insensitivity (or scope neglect) for outcomes when spending time (vs. money) (Study 1 and Study 2). However this neglect is only apparent when time is spent in pursuit of non-monetary outcomes, and not money itself. Moreover this effect diminishes when decision makers are encouraged to evaluate the non-monetary outcomes in monetary terms (Study 3). Also, people are less discriminating between the worth of qualitatively different outcomes when their willingness-to-pay is elicited in terms of temporal (versus monetary) expenditures (Study 4). This scope neglect in temporal expenditures also extends to non-market outcomes (Study 5).

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EXTENDED ABSTRACT

People are quite rationally willing to pay more money for obtaining more quantities of a desirable good or outcome. However this relationship is not always linear and usually the monetary willingness to pay exhibits a concave relationship with increasing quantity. In this paper we explore what kind of a relationship exists when people have to pay in time, instead of money, for increasing quantities of a desirable outcome.

Scope (or magnitude) neglect is the tendency to ignore higher utility derived by higher amounts of a desired good or outcome. An expected value-maximizing individual should display a linear relationship between utility and an economically desirable resource. However descriptive models have proposed that for virtually any resource, we have marginally diminishing utility. Psychology and economics have explained this phenomenon using the concepts of satiation, diminishing sensitivity, and affect. While these factors have been known to enhance scope neglect, we investigate whether the currency of payment itself can influence this effect. In most studies showing scope neglect, the willingness-to-pay has always been elicited using monetary currency. What will happen to the evinced nonlinear relationship between stimulus scope and willingness to pay when the method of payment is something other than money? This is the primary research question of our paper.

People often spend time, instead of money, to acquire desirable outcomes. The default economic assumption is that spending time is similar to spending money (Becker 1965, Graham 1981) and therefore both are mutually tradable using a linear economic exchange rate. However, recent research has demonstrated several ways in which consumer’s monetary decisions are different from their temporal spending decisions (Okada and Hoch 2004, Leclerc, Schmitt, and Dube 1995, Soman 2001, Zauber, and Lynch 2005, Saini and Monga 2008). Specifically, Saini & Monga (2008) have demonstrated greater susceptibility to heuristic people when spend time. This is primarily because time is more ambiguous, and less fungible, than money and therefore temporal (vs. monetary) information is more difficult to process. In such situations, instead of continuing efforts to utilize this relevant information, people make a qualitative shift to a different form of decision making in which they rely on heuristics (Payne, Bettman, and Johnson 1993). From engaging in more reasoned, deliberative processing, people regress to a more heuristic-based processing mode where they make judgments based on simple, accessible cues, oftentimes ignoring other relevant information. Previously Hsee and Rottenstreich (2004) have explained the concavity of the value function using very similar information processing mechanisms. Simply put, we propose that temporal decisions cause greater heuristic-use thereby leading to diminished scope sensitivity.

In the first experiment, we demonstrate that consumers’ willingness to pay is more sensitive to changes in the magnitude of the outcome when they are paying in money than in time. In a between-subjects setting consumers have to pay in time/money for 2/10 music CDs. In both time and money conditions, participants were willing to pay more for 10 CDs (vs. 2 CDs). However the difference was much larger in the case of money ($49.7 vs. $ 14.5, i.e. 242% increase), than time (55.2 min. vs. 48.8 min., i.e. 13% increase). In support of our underlying psychological mechanism, we also demonstrate that consumers found temporal decisions to be more difficult than monetary spending decisions. In the second experiment, we again test this time-money difference in both between- and within-subject settings and find that scope neglect breaks down for both time and money in the latter settings. In the third experiment, we extend this phenomenon to the domain of qualitatively different outcomes and demonstrate that when paying in time, consumers ignore not just the (quantitative) magnitude of the stimulus but also the qualitative variation between one stimulus versus another. Instead of changing the number of items at stake, we had two qualitatively different items as stimuli—an indoor grill & a digital tire gauge. In both time and money conditions, participants were willing to pay more for the indoor grill. However the difference was much larger in the case of money ($48.27 vs. $7.14, i.e. 177% increase), than time (28.70 min. vs. 19.56 min., i.e. 47% increase). In the fourth experiment we find that, when asked to put a monetary value to an item before deciding how much time to spend to procure it, some of the scope neglect diminishes. The final experiment investigates scope neglect for non-market outcomes, and finds a similar time-money difference, thereby also ruling out any congruency effects. When asked to donate time/money for helping save one/four panda bears, participants were more sensitive to scope when donating in money.

REFERENCES


