Powerlessness-Induced Compensatory Consumption: the Preference For Experiential Vs. Material Luxury Products

Ayalla Ruvio, Temple University, USA
David Dubois, INSEAD, France

Luxury products can either take the form of experiences (e.g., a vacation) or objects (e.g., a status car). Two experiments demonstrate that powerlessness leads to a higher willingness to pay for experiential status products over material status products, suggesting the former have a greater compensatory value than the latter.

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EXTENDED ABSTRACT

Despite the lasting financial crisis, the commerce of luxury goods and services has enjoyed a continuous growth, reaching $276 billion in sales in 2011 worldwide (Bain 2011). To better understand the reasons of this success, recent work has started to examine more specifically the motives underlying individuals’ motivation to consume luxury products. In particular, recent work suggested that states of powerlessness can increase consumers’ preference for status products, because these products help them to alleviate the aversive feelings associated with powerlessness (Rucker and Galinsky 2008).

The present work builds on a key distinction between two types of luxury offerings: experiences (e.g., a luxurious vacation or dining in a high-end restaurant) and products (e.g., a status car or designer piece of furniture). Interestingly, while some offerings might be uniquely categorized as experiences or products, a luxury brand might choose to frame its offering (e.g., a car) either as an experience (by emphasizing driving the car) or as a material product (by emphasizing its features). As a first step, we investigate how one pervasive factor – consumers’ sense of power – will affect consumers’ preferences for experiential vs. material luxury. By power, we refer to people’s perceived or actual asymmetric control over valued resources in social relations (Rucker, Galinsky and Dubois 2012). Past work showing that powerless consumers are more willing to spend on a luxury product than powerful and power-neutral consumers (Rucker and Galinsky 2008) might predict that states of powerlessness equally foster preferences for material and experiential products, but little is known about whether the powerlessness’ preference might vary based on whether luxury is experiential or material. Yet, recent research argued that experiences can be more rewarding than products (Carter and Gilovich 2010; Van Boven and Gilovich 2003). Thus, we make the novel proposition that states of powerlessness would foster greater preference for experiential luxury than for material luxury. In support for this proposition, the powerlessness’ sensitivity to their environment might increase the value derived from experiential products (Galinsky et al 2008).

We conducted two experiments to test these hypotheses. Results were analyzed using ANOVAs, regressions and t-tests, as appropriate.

EXPERIMENT 1

The Powerless’ Preference for Experiential vs. Material Luxury. One hundred and sixty four undergraduates filled out an online survey in exchange for extra course credit. They were randomly assigned to conditions in a 3 (power: low, high, control) × 2 (status: low, high) × 2 (product type: experience, possession) mixed design with status and object serving as a within-participants factor. Participants were asked to recall a time they had or lacked power (Galinsky et al. 2003). Subsequently, participants were told they would participate to the evaluation of different consumer products. More specifically, participants were shown four different products associated with high and low levels of status, two of which were experiences (high-status: a luxury vacation; low-status: a massage; Van Boven and Gilovich 2003) and two of which were material objects (high-status: luxury car; low-status: a fabric sofa; Rucker and Galinsky 2008). Participants were asked to indicate how much they would be willing to pay for each of the products. Consistent with past research, results revealed a main effect for power, status and type of product, replicating both Rucker and Galinsky’s (2009) and Van Boven and Gilovich’s (2003) findings. Participants were willing to pay significantly more for a product under the low power (p<.05), for high status products (p <.001), and for experiential products (p <.001). Of key importance, there was he significant interaction of power × status × product type (p <.05). Low-power participants indicated a higher willingness to pay for experiential luxury than for material luxury, p <.01. Overall, these results support both Rucker and Galinsky (2008) and Van Boven and Gilovich (2003) assertions. Under the aversive state of powerless, consumer will pay more for high status material products, but will pay even more for high status experiential products.

EXPERIMENT 2

Framing Luxury as Experience or Material. One hundred and twenty eight undergraduates filled out an online survey in exchange for extra course credit. They were randomly assigned to conditions in a 2 (power: low, high) × 2 (status: low, high) × 2 (product characteristics: experiential, material) between-participants design. Power was manipulated through the recall task as in experiment 1. Next, participants took part to a consumer product experience. Participants were exposed to a high-status (Ferrari car) or low-status (Mini-van) framed as experiential (“the perfect driving experience”) or material luxury (“the perfect car to own”). Our dependent variable was participants’ willingness to pay for the product, in percent of the retail price. Results revealed significant main effects for status and for product type, similar to experiment 1 (p <.05). Of most importance, there was a significant power × status × product interaction (p <.01). That is, our participants were willing to pay the most under a low power condition and for the high status car when highlighting its experiential attribute than when highlighting its material attribute (p <.01).

Thus, overall consumers will be willing to pay more for material products when they are thinking of the in experiential terms. Nevertheless, once again, state of low power forester greater attractiveness to high status experiential purchases in the form of willingness to pay for them.

CONCLUSION AND CONTRIBUTIONS

Overall, our results successfully both replicated and integrated classic findings from the power literature (Rucker and Galinsky 2008; 2009) and the literature on experiential purchases (Carter and Gilovich 2010; Van Boven and Gilovich 2003) assertions, and supported our novel proposition: powerless consumers paid more for high status luxury products overall, and indicated a higher preference for experiential purchases over material ones. These results suggest that experiential purchases have a greater compensatory power than material ones, and multiply the possibilities for future research. Implications for power, and luxury marketing practices are discussed.

SELECTED REFERENCES