The Monetary Value of Conversational Value

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This work investigates the conversational value of purchases and demonstrates that consumers find the opportunity to talk about their purchases worthy of their money. Results show that consumers are less sensitive to price increases of experiential (vs. material) purchases; an effect explained by the higher conversational value of experiences.

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EXTENDED ABSTRACT

Firms are increasingly aware of the importance of conversational value of the objects and experiences they offer to consumers. We take a novel perspective of consumer conversation and investigating whether conversational value helps explain why certain purchases (experiential purchases) are less affected than others (material purchases) when their prices go up.

Study 1

Procedure: One hundred and seventy participants from an online pool were randomly assigned to one of the two conditions (material vs. experiential purchase) and were asked to ‘think and write, in some detail, about an object (or experience) you intend to purchase some time in the future’. Next they answered a five-item measure on conversational value and a one-item measure on price sensitivity (based on a 40% price increase).

Results: Our ANOVA shows that, when faced with an equivalent price increase, experiential participants are more likely to go ahead with the purchase ($M_{exp}=4.08, SD=1.80$) than are material participants ($M_{mat}=3.40, SD=1.72; F(1,95)=6.27, 
$p=.013$). A bootstrap analysis indicates that this effect is mediated by the conversational value of the purchase (indirect effect: $\beta=.18, SE=.09, CI(95\%)=.03, .41$).

Study 2

Study 2 has two objectives. First, it retests our model with a substantially higher and more intuitive price increase (double price) and directly evaluates the importance consumers give to the conversational value of a purchase by assessing whether material and experiential consumers react differently to the hypothetical situation of not having any opportunity to share about the purchase with others.

Procedure: Eighty-five MBA students were randomly assigned to the material or experiential purchase condition and asked to recall and write about a previous purchase they had made. Next we assessed conversational value, price sensitivity (‘I would have purchased that object/experience even if its price were twice what I actually paid for it.’; 1=Strongly Disagree, 7=Strongly Agree), and the importance of conversational value of the purchase (‘Let’s imagine that right before purchasing that object/experience you learned that you would not be able to tell any family members or friends about it. In other words, you would not be able to share about your object/experience with anybody. As a result of that, how likely is it that you would have decided not to purchase that object/experience?’; 1=Not at all likely; 7=Very much likely).

Results: An ANOVA shows that, in a situation where price doubles, experiential participants are more likely to make the purchase ($M_{exp}=4.07, SD=1.61$) than are material participants ($M_{mat}=2.88, SD=1.62; F(1,84)=11.45, p=.001$). Results also support the conversational value mediation (indirect effect: $\beta=.30, SE=.15, CI(95\%)=.04, .66$). Finally, ANOVA results indicate that, if denied of opportunity to share, experiential participants are significantly more likely to not make the purchase ($M_{exp}=3.95, SD=1.73$) than are material participants ($M_{mat}=2.67, SD=1.50; F(1,84)=13.13, p<.001$).

An important concern with our previous studies is the nature of the purchases participants intend to make (study 1) and recall (study 2). Study 3 addresses this concern by keeping the focal purchase constant.

Study 3

Here we keep the focal purchase constant (i.e., BBQ grill) and manipulate only the way participants frame it (i.e., as an object vs. an experience). Besides addressing the aforementioned concern, this procedure adds method novelty to the present work.

Procedure: Seventy-three students were randomly assigned to one of the two experimental conditions (BBQ grill framed as: a material object vs. an experience). Next, we assessed conversational value ($\omega=.96$), price sensitivity, and the importance of conversational value with items similar to those of study 2.

Results: Participants who frame the BBQ grill as an experience are marginally more likely to make the purchase ($M_{exp}=2.21, SD=1.71$) than those who frame it as an object ($M_{mat}=1.63, SD=1.08; F(1,69)=2.77, p=.101$). Additionally, the indirect effect of purchase type via conversational value is statistically significant (indirect effect: $\beta=.57, SE=.25, CI(95\%)=.20, 1.22$).

Another ANOVA reveals that, if denied of opportunity to share about the BBQ grill, participants who frame the purchase as an experience are more likely to not make the purchase ($M_{exp}=4.00, SD=2.30$) than participants who frame it as an object ($M_{mat}=2.64, SD=2.08, F(1,69)=6.65, p=.012$).

Conceptually, results from studies 1-3 imply that the difference in price sensitivity between material and experiential purchases should be attenuated or eliminated when the two purchase types have similarly high (or low) conversational value. Study 4 tests this possibility.

Study 4

Procedure: Two hundred and thirty-five participants from an online pool were randomly assigned to one of the six experimental conditions in a 2(purchase type: material vs. experiential) x 3(conversational value: high vs. control vs. low) between-subjects design. Participants were asked to recall either an object or an experience they had purchased. High and low conversational value was manipulated experimentally (e.g., this purchase (does not) makes for a nice conversation), however, participants in the control condition were not presented with information related to the conversational value of the purchase. Next, participants answered an item similar to that in study 1 designed to assess price sensitivity (50% increase).

Results: An ANOVA with purchase type (material vs. experiential) and conversational value (high vs. control vs. low) as independent variables and price sensitivity as dependent variable yields significant effects of purchase type ($M_{exp}=4.07, SD=1.89$ vs. $M_{mat}=3.19, SD=1.84, F(1,122)=5.71, p=.018$), conversational value ($M_{high}=3.94, SD=1.75$ vs. $M_{control} =3.65, SD=2.03$ vs. $M_{low}=3.16, SD=1.89, F(1,122)=3.95, p=.020$), and the interaction of purchase type by conversational value ($F(1,122)=8.99, p<.001$). Decomposition of the interaction reveals that, when faced with a price increase, consumers are marginally more likely to make experiential versus material purchases that have high conversational value ($M_{exp}=4.29, SD=1.70$ vs. $M_{mat}=3.59, SD=1.74, F(1,76)=3.16, p=.079$), significantly more likely to make experiential versus material purchases under normal conditions (control condition) ($M_{exp}=4.44, SD=1.94$ vs. $M_{mat}=2.59, SD=1.64, F(1,95)=24.28, p<.001$), and equally likely to make experiential and material purchases that have low conversational value ($M_{exp}=2.65, SD=1.49$ vs. $M_{mat}=3.42, SD=2.03, F(1,57)=2.22, p=.141$).
General Discussion

Results reveal that consumers react more favorably to an equivalent price increase of experiential purchases (e.g., a musical concert) than that of material purchases (e.g., an electronic gadget); an effect underlined by the higher conversational value of experiences (vs. objects).

Thus, this work brings forward the concept of conversational value of purchases and offers a novel framework on how this abstract attribute carries monetary value. Whereas price sensitivity has been widely studied, less has been known about how consumer’s opportunity to share about the purchase influences their reaction to price increases.

REFERENCES


