Risk Seeking For Experiential Purchases: Why Consumers Take a Gamble on Experiences But Play It Safe For Material Options

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The decision-making literature consistently demonstrates risk aversion for potential gains—preferring a sure thing over a larger, riskier reward. We propose that risk aversion holds for material choices (e.g. televisions, tennis shoes), but when faced with an experiential reward (e.g. vacation, restaurant meal), consumers flip preferences and become risk seeking.

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EXTENDED ABSTRACT
Consumers often take risks on new products/services, or splurge on costlier purchases. But what kind of purchases are consumers predisposed to take the biggest risks on? The decision-making literature shows that consumers tend to be risk averse for potential gains, preferring a sure thing over a larger, but riskier, reward (i.e., Kahneman & Tversky, 1979). We propose that risk aversion holds for material choices (televisions, shoes), but that when faced with an experiential reward (vacation, restaurant meal), consumers become risk seeking. That is, when contemplating experiential choices—intangible purchases made for the sake of acquiring a memory/experience—consumers opt for potentially more rewarding, less likely options. We explore this risk-seeking phenomenon for experiences and examine its underlying mechanisms.

Prior work on experiential purchases versus material purchases indicates that experiences are more effective at increasing our long-term happiness (Carter & Gilovich, 2014). The current work focuses on how experiences are generally more central to consumers’ sense of self. We propose that self-connectedness drives risk seeking for experiences that have a higher reward (e.g. higher potential to be self-connecting or special to the consumer), despite the higher risk associated with them. For example, experiential purchases have the potential to result in increased reports of happiness if their outcomes are positive in nature, but also have the potential to bring more negative consequences (compared to material purchases) (Nicolao, Irwin, & Goodman, 2009). Experiential purchases are also more likely to be shared, talked about, and embellished upon (Howell & Hill, 2009; Kumar & Gilovich, 2013), a process which enhances the significance of experiences as representing one’s self (Belk, 1988). The literature, therefore, suggests that experiences spontaneously drive an association with the self. Thus, we propose that contemplating experiential (vs. material) rewards leads to an increased focus on potential connection to the self, which enhances risk seeking beyond the levels normally observed for material objects.

Study 1
Study 1a demonstrates that consumers are more risk-seeking for experiential than for material rewards. Participants were presented with 2 material and 2 experiential pairings of prizes. Chi-square analysis for the experiential pairs revealed a risk seeking preference for the riskier, larger reward options: live theatre pairing, \(\chi^2(1, N=98)=19.8, p<.0005\), and for the spring break stay, \(\chi^2(1, N=98)=6.90, p=.009\). Material purchases display a risk aversion pattern.

Study 1b examines how framing the same offering as experiential versus material might shift participants to be more risk seeking. Participants were tasked with imagining that they had the chance to win an iPod and were assigned to write about what it would be like to own this iPod: in experiential (listening to music) or material terms (based on Carter & Gilovich’s, 2012). Participants evaluated how connected they felt to the iPod (3-items). Finally, they indicated a choice between a sure chance of a lesser reward (iPod shuffle) or a 50% chance of a greater reward (iPod Touch). Bootstrapping analysis was used to examine connectedness to the product as a mediator of the relationship between experiential (vs. material) framing and choice of the riskier option, 95% CI [0.4, 1.04]. But what is it about experiences that violates the longstanding finding of risk aversion for consumer gains?

Study 2
Study 2 manipulates connectedness to examine how risk seeking might also be increased for material reward options. Participants were randomly assigned to two essays: connectedness (reflect on purchases, how they feel connected to them) vs. control. Next, they were presented with a series of three risky choice pairs and asked to indicate which they would choose. Logistic regressions were utilized on each pair to examine how connectedness might predict increased risk seeking (less risk aversion) for all product pairings (p’s<.05), supporting the proposition that an increased focus on connectedness leads to increased risk seeking for more desirable but less certain reward options.

Study 3
Study 3 examines the role of time versus money salience in predicting risk seeking preferences. Time is more personally meaningful and more connected to the self than money (Aaker, Rudd, & Mogilner, 2011); so experiences naturally map onto thoughts of time. Participants were randomly assigned to reflect on and write about how they use their time/money in a typical week (Zhou, Vohs, and Baumeister, 2009). After, students made choices within 2 material and 2 experiential paired gambles. For both material (all p’s<.04) and experiential (p’s<.04) gambles participants in the money condition showed significantly more risk aversion—indicating that thinking about prizes in terms of time (versus money), like priming self-connectedness, plays a key role in consumer risk taking tendencies.

Study 4
Study 4 examines how thinking about purchases in terms of self-connectedness/time influences construal level (abstract). Participants were randomly assigned to the connectedness primes from study 2. Next, they completed 25 items from the Behavior Identification Form (Vallacher & Wegner, 1989). These items examine how participants interpret a set of 25 different behaviors presented with two possible descriptions—a higher/abstract (1) and a lower/concrete (2) construal level. Examining the basic effect of condition on construal, we find that connectedness leads to higher-level construal (\(M_{\text{connect}}=1.29, M_{\text{control}}=1.40; F(1, 112)=5.99, p=.016\)).

Study 5
Study 5 examines the last step in the causal chain by priming construal level and examining its effect on risk seeking. Participants were randomly assigned to two conditions in which they were asked to either provide a superordinate category (abstract) or an example (concrete) for the same set of 25 everyday words. Next, participants viewed images of five jars, in which the amount of tickets pictured in each jar, along with its prize, was manipulated to simulate the percent chance of winning the prize (e.g. full jar for the best prize; jar with the fewest tickets for the smallest prize). Results indicate that abstract construal leads to increased risk seeking preferences (F(1, 143)=5.98, p=.05).
The present work contributes to the literature on risky choice behavior and decision making by showing that experiential purchases are more likely to foster risk seeking. This effect occurs via the mechanisms of self-connectedness and time, leading to a higher-level, abstract construal and a focus on maximizing such positive potential benefits of experiences.

REFERENCES