Do Consumers Learn New Currencies As They Learn New Languages? the Impact of Price Syntax and Synonyms on Learners’ Proficiency

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Building upon foreign language learning theory, our experiments reveal the supremacy but not the superiority of conversion (translation) in accurately estimating and recalling foreign prices (learners’ proficiency). The mode of presentation of both exchange rates (words’ syntax) and foreign reference prices (synonyms) interfere on the effectiveness of the learning strategy.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1022230/volumes/v44/NA-44

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The Impact of Price Syntax and Synonyms on Learners’ Proficiency  

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EXTENDED ABSTRACT  

Consumers are frequently placed in a situation where they are exposed to prices in a foreign currency (FC) but relatively little research has investigated how consumers learn another currency. Previous studies in the context of the Euro changeover focused on long-term adjustment strategies (Marques and Dehaene 2004) or on individual rules of thumb (Raghubir, Morwitz and Santana 2012). Our research extends previous findings and helps us develop new theory on how currencies are learned. To understand that process, we compare learning a new currency to learning a new language.  

Consistent with our language-learning analogy (Kroll and De Groot 2005, Luna and Peracchio 2001), we consider three factors that influence foreign price processing and learning: lexical (i.e., regarding the prices themselves), syntax (i.e., the way foreign currency and home currency are combined together in an exchange rate table), and synonym (i.e., consumers’ exposure to reference prices in the foreign currency). Three experiments investigate the interaction between those three factors and their impact on learners’ proficiency (accuracy in estimating, recalling and ranking prices in foreign currency).  

Study 1 tests the interaction effect between price lexical (difficulty of the exchange rate) and price syntax (mode of presentation of the exchange rate) on learners’ proficiency (accuracy in price estimation, recall and ranking). In particular, we designed a 2 (difficulty of exchange rate: easy (1FC = 2$), difficult (1FC = 0.8$) x 2 (mode of presentation of exchange rate: home-centric (1$ = xFC), foreign-centric (1 FC = xS)) between-subjects experiment.  

Studies 2 and 3 test whether price lexical (difficulty of the exchange rate) and price synonyms (foreign reference prices) interfere in foreign price learners’ proficiency (accuracy in price estimation, recall and ranking). In Studies 2 and 3, the context of presentation of the prices is manipulated through the presence or absence of prices of competing retailers (External Reference Prices, or ERPs) for the same products (study 2) and for different products (study 3). Study 2 was a 2 (difficulty of exchange rate: easy (1FC = 2$), difficult (1FC = 3.2$) x 2 (context of presentation: ERPs present or absent)) between-subjects experiment. Study 3 was a 2 (difficulty of exchange rate: easy (1FC = 2$), difficult (1FC = 0.8$) x 2 (context of presentation: ERPs for the same products vs. for different products within the same category)) between-subjects experiment.  

Stimuli, sample and measures were similar in the three experiments. An average of one hundred undergraduate students at a large New York University participated in the studies. Respondents were asked to imagine a shopping situation in a foreign country. They were exposed randomly to 14 common grocery goods they needed to buy varying in terms of expensiveness (products with lower or bigger tickets in study 1) or in terms of purchase frequency (infrequently or frequently purchased products in studies 2 and 3). The prices of the products were presented in the foreign currency with the currency conversion rate to US$ they were assigned to. Then, they answered self-reported measures of the extent to which they had used direct-access and/or conversion strategies to process foreign currency prices. Subsequently, respondents had to estimate the price of the total basket, recall the exact price of each product and rank the products according to their expensiveness.  

Accuracy in estimating shopping basket, recalling exact price and relative price rank were measured as the Absolute Price Deviation from the correct total basket, the correct individual prices and the correct ranking of the prices of the products, or ADPs (Estelami and Lehmann 2001). If the ADP’s indicators are high, the accuracy in estimating and recalling FC prices are low and vice-versa.  

On overall, our findings underline that the conversion strategy (exact or approximate) has a primacy over the direct-access strategy (intuition-based or anchor-based). However, this strategy does not lead systematically to a superiority in foreign price learning. Regarding ADP in estimating total basket, there are no direct effects but significant cross-over interactions between the difficulty of the exchange rate and i) the mode of presentation of the exchange rate ($F(1, 96)= 7.4; p = .008$); ii) the exposure to ERPs ($F(1, 73)= 4.05; p = .048$); iii) the exposure to similar or different ERPs ($F(1, 81)= 2.9; p = .09$). Regarding ADP in recalling prices, there is a significant interaction of the difficulty of the exchange rate and its mode of presentation on exact price recall ($F(1, 96)= 3.3; p = .07$) and correct ranking of the prices of the products ($F(1, 86)= 5.04; p = .027$). The interaction between difficulty of the exchange rate and presence of ERPs is not significant with respect to accurately recalling the prices in FC of the 14 items but with respect to accurately ranking them ($F(1, 73)= 4.05; p = .048$).  

When the easiness of an exchange rate or the task to perform lead consumers to process prices in their home currency, the syntax of the exchange rate (the way it is presented) must be home currency centric (and vice versa) and the price synonyms (exposure to ERPs) should be consistent with the strategy used and task to perform. Our findings underline that foreign price processing is not influenced only by the difficulty of the exchange rate (lexical factor). The mode of presentation of the exchange rate (syntactic factor) and the exposure to previous price information (synonym factor) also influence foreign price learning. Although a conversion does not directly allow respondents to perform better on price memory tasks, the manner in which the exchange rate and reference prices are presented will influence learning strategy process and performance.  

REFERENCES  


