The Price of Faith: Religion’S Role in the Endowment Effect

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We propose a new explanation for the endowment effect based on social comparison. We find that the endowment effect only appears for people with a minimal level of religious beliefs, as they learn not to “covet” the goods of others and as a result overvalue their own goods.

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Influences of Social Comparison on Consumer Judgment and Choice

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Paper #1: When Consumer Rivalry Reduces Desire for Innovation
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Paper #2: News Consumption on Social Media Induces Distinctiveness Seeking
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Paper #4: Trickle-Round Signals: When Low Status Becomes High
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SESSION OVERVIEW

The growth of social media has increased immediate access to information about others and increased the ability to make social comparisons. As a result, recent consumer research has focused on issues pertaining to social comparisons, including how people assess their social status, and the consequences of social comparison, such as conspicuous consumption (e.g. Ordabayeva and Chandon 2011; Xu Shen and Wyer Jr. 2012). This session brings together four papers that extend existing theory in novel ways. In the first two papers, we first investigate social distance and anonymity with the comparison target as antecedents to different consumer mindsets, identity goals, and choices. In the next two papers, we then investigate how choice is impacted when consumers suppress or cope with social comparison.

In particular, while competing (vs. cooperating) is known to increase a focus on differences, in paper 1, Galoni and Labroo find that when the referent is a close other, differentiating can feel difficult, and ironically, increase focus on similarities and reduce creativity and desire for innovative products. Compatible with paper 1, but focusing on newsfeeds and anonymous others, in paper 2, Chung and Johar find that the salience of anonymous crowds on social news channels motivates consumers to seek a distinctive self-identity, unless consumers are able to express their identity by actively engaging in social media. In paper 3, Qin, Fitzsimons and Staelin present a unique consequence of suppressing social comparison – the over valuation of one’s own possessions. They find the endowment effect is enhanced among religious individuals who are taught to not engage in social comparison or covet the goods of others. In paper 4, Bellezza and Berger further consider how consumers cope with social comparison. They find that high-status consumers often adopt low-status goods in effort to further differentiate themselves from mid-status consumers.

As a set, the papers present a highly convergent, novel, and important perspective on social comparison processes and their consequences for consumer behavior. As a set, the papers offer theoretical advances and practical insight into how social comparison impacts choice and how consumers suppress or cope with it. While all papers explore social comparison, they also bridge distinct consumption domains ranging from the desire for innovation, to identity signaling, to the endowment effect and religion, and conspicuous consumption. As a result, the session is likely to have a broad appeal within the ACR audience, and draw researchers interested not only in social comparison, but also in these listed domains. All of the papers are at an advanced stage of completion. Overall, they comprise 17 studies, and employ lab and online experiments, as well as archival data analysis. Given the cross-sectionality of interest in social comparison and its diverse influence on consumer behavior, we anticipate this session will spark fruitful discussion and generate opportunities for future research.

When Consumer Rivalry Reduces Desire for Innovation

EXTENDED ABSTRACT

Relentless exposure to the successes of close others on social media can increase the tendency among consumers to engage in competitive social comparison (Garcia et al. 2006; Primack et al. 2017). But might doing so impact subsequent preferences? If so, how? A widespread view is that competing with others (vs. cooperating or merely considering them) increases a need for differentiation and a focus on differences (Ames 1981; Colpaert et al. 2015; Stapel and Koomeen 2005). This increased focus on differences can increase divergent thinking by making disparate information accessible in memory (e.g. Ashton-James and Chartrand 2009; Zhong, Dijksterhuis and Galinsky 2008). It follows that divergent thinking might increase creativity and make innovative products appear more desirable. However, one important aspect of these studies is that they employed newly acquainted or hypothetical others who are socially or psychologically distant from consumers when in reality competition is more often with those who are close. Coke considers Pepsi its competitor, siblings consider each other their referents, and close, not distant, friends develop rivalries. We posit that the consequences of competing with a close other are quite different (and in fact, the reverse).

We propose that competitive differentiation with a close other feels difficult because of the high trait overlap between the self and close others. This feeling of difficulty can lead consumers to infer that they are even more similar to the close other than if they had not been looking for differences (such as when a consumer merely considers or cooperates with the other). In supporting research, metacognitive difficulty associated with generating many versus few instances of aggression is known to result in lower perceptions of that person’s aggression. Thus, the difficulty of finding differences might serve to increase perceived similarity and reduce preference for innovative products. This prediction is in contrast to when a consumer competes with a distant other and differentiation is easy. We therefore predict that engaging in competitive social comparison (vs. non-competitive comparison) with a close other increases a similarity mindset and decreases a desire for innovative products.

We tested this hypothesis across three studies. Study 1 employed a 3 (action: compete, cooperate, control) x 2 (referent: close, distant) between-subjects design. Participants first completed a writing task describing the action x referent they were assigned to, then completed a similarity-focus measure by indicating how much overlap they perceived between themselves and the other, and then listed creative uses for two objects as indicators of divergent thinking. The
cooperation and control conditions were designed to be conceptual replications. The results were similar within these conditions and were therefore collapsed. The similarity-focus measure revealed the predicted interaction (F(1, 212) = 4.78, p = .03). As predicted, competing (vs. not) with a close other increased similarity (M = 4.30 vs. M = 3.76, t(212) = 2.19, p = .035). While competing with a distant other reduced similarity, consistent with past research (M = 2.86 vs. M = 3.12), this difference was non-significant (t < 1) perhaps because past research employed less engaging hypothetical comparisons. Analysis on the creativity measure revealed the predicted interaction, F(1, 212) = 3.43, p = .066. Competing (vs. not) with a close other reduced creativity (M = 8.0 vs. M = 1.49, t(212) = 1.89, p = .06). Competing (vs. not) with a distant other increased creativity, albeit not significantly (M = 1.38 vs. M = 1.10, t < 1).

Study 2 replicated these results using a general measure of a similarity mindset (perceived similarity of two abstract artworks), and also a different measure of divergent thinking (preference for a product when framed as innovative vs. not). Again, competing (vs. not) with a close other increased a similarity mindset (M = 4.83 vs. M = 2.86, t(212) = 3.06, p < .001), but competing with a distant other decreased it (M = 3.48 vs. M = 4.39, t(212) = -2.06, p = .04). Moreover, competing (vs. not) with a close other reduced preference for a product when its innovativeness was highlighted (M = 3.45 vs. M = 4.21, t(210) = -1.92, p = .05), but competing with a distant other had no effect (M = 3.56 vs. M = 3.39, t < 1).

Studies 1 and 2 showed that competing with a close other increases both integral and general similarity mindsets, reduces divergent thinking, and reduces preference for innovative products. While all results for distinct others were in the direction of past research, they only tended toward significance, perhaps because our task is less hypothetical than that in past research and elaboration might be moderating those past effects. Our goal in study 3 was to test the underlying process that the difficulty of generating differences with a close other results in a similarity mindset.

Study 3 (N = 276) manipulated the difficulty of generating differences by having participants list their own traits or the traits of close-others first. We reasoned that the salience of one’s own traits makes it difficult to generate different traits for others. In contrast, this difficulty will be reduced if a person first considers the traits of the other person. A 3 (action: compete, cooperate, control) × 2 (order: own traits first, other traits first) between-subjects ANOVA on innovation preference revealed a significant interaction (F(2, 271) = 5.25, p = .006). Replicating prior studies, competing (vs. not) with a close other reduced innovation preference (M = 3.52 vs. M = 4.58, t(274) = -2.53, p = .01), but only when participants considered their own traits first. It instead directionally increased innovation preference when the other was considered first (M = 4.20 vs. M = 3.48, t(274) = 1.71, p = .089).

Across three studies, we found that competing with a close other evokes a similarity mindset and reduces desire for innovative products. This finding is important theoretically because ample research would suggest that competing increases divergent thinking. It also merges research on metacognitive experiences with understanding social influences. Practically, even small instances of daily consumer rivalry may shift preferences away from innovation.

**News Consumption on Social Media Induces Distinctiveness Seeking**

**EXTENDED ABSTRACT**

The decline in print media subscriptions and television viewership, and the emergence of the Internet challenge news organizations to find more effective ways of connecting with their readers. News organizations have developed multiple online communication mechanisms in response to this crisis. For example, CNN uses both their traditional homepage (e.g., cnn.com) and social media websites (e.g., Twitter.com/CNN). Unlike traditional news websites that are driven by top-down dispersion of news content, news on social media platforms is consumed by an anonymous crowd that makes its presence felt via comments and likes. Based on the crowd literature (Xu, Shen and Wyer Jr. 2012) they are likely to interpret it as an indication of their affiliation motivation. Consequently, in a product choice task, they choose options that others consider desirable. When people perceive that their close proximity to others results from circumstances beyond their control, however, they feel that their personal space is violated and experience a need for to express their individuality. In this case, they are more likely to choose products that distinguish themselves from others.

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The Price of Faith: Religion's Role in the Endowment Effect

EXTENDED ABSTRACT

Previous studies have identified three major causes of the endowment effect: loss aversion, mere ownership and the different effects of valuation and market prices across the buyers and sellers. We put forth a new explanation, specifically the degree to which an individual endorses religious teachings that emphasize being content with one's belongings and not comparing oneself to others and coveting their possessions. We focus on these since coveting (the opposite of contentment) is explicitly mentioned in the Ten Commandments (i.e., "You shall not covet"), which has special importance in the Judeo-Christian Scripture. Believers of these faiths feel that these commandments were directly delivered by God, indicate personal obedience and are intended to be an enduring record of his moral demands. Also coveting, an outcome of a social comparison that leads one to desire the "missing" good from one's own life that the other possesses is frequently mentioned in the Bible and is regarded as the root of many sins. Such beliefs about not coveting can be found in multiple religious traditions (e.g., Samaritan). The Qur'an contains a parallel verse "Do not covet the bounties that God has bestowed more abundantly on some of you than on others. The Ten Disciplines in Hinduism include similar teachings about non-violence, devotion, and contentment. The Four Noble Truths in Buddhism reveal that craving causes suffering. To overcome craving and achieve happiness, people need to be content with their belongings. All this leads us to postulate that sellers will place more value on their own possessions and the increase in valuation will increase with the degree of religiosity.

We test our theory in a number of different ways. In each case we have participants randomly assigned to the role of seller or buyer of a non-durable product and indicate the price for which they are willing to sell (seller condition) or willing to pay for (buyer condition) the product. In the first study religiosity is measured by "How important are your religious beliefs to you" on a 5-point scale from "Not important at all" to "Very important." Model free results show no significant difference in seller and buyer prices for those who indicate their religious beliefs were not important at all (t=.91, p>.3). Using a linear model we find that buyers' willingness to pay did not significantly change with religiosity, whereas sellers significantly increased their selling prices as religiosity increased (β = 0.70, p < 0.01). This lead to individuals who are in the top 66% of religiosity increased their selling prices as religiosity increased (β = 0.70, p < 0.01). This lead to individuals who are in the top 66% of religiosity displaying the endowment effect. We replicated the findings with real transactions in a second study and a different measure for religiosity in a third. All three studies provide a very consistent pattern where sellers with stronger religiosity ask for higher prices compared to those with weaker religiosity while buyers' prices are not a function of their religiosity.

We next manipulate religion by making it more or less salient. Although the endowment effect was evident in the control condition, it was significantly weaker than the religion condition. This difference was due to sellers in the religion condition asking for significantly higher prices compared to those in the control condition, while no differences were found for buyers' willingness to pay.

We explored our proposed mechanism (contentment with one's own possessions) by measuring participants' agreement towards the statements, "Religion allows me to express myself" and "Religion reminds me to be content with what I have". Results show that when participants' beliefs about contentment were one standard deviation below average, neither buyers nor sellers' changed their prices with the religion prime and there was no significant endowment effect. In contrast, when participants' attitudes towards contentment were one standard deviation above average, the endowment effect was present in both the religion and the control conditions. Importantly buyers did not change their willingness to pay across conditions, while sellers significantly increased their asking prices (β = 0.42, p < 0.01). Thus the endowment effect was significantly stronger in the religion condition (β = 0.67, p < 0.01). The statement "Religion allows me to..."
express myself” did not interact or mediate the two-way interaction of seller and religion prime.

We also manipulated different religious teaching. In the “religion as self-expression” condition, participants described how religion provided them a sense of self-worth. In the “religion as contentment” condition, they described how religion provided “a sense of satisfaction and sufficiency.” In the control condition, they wrote about their daily routines. The results show that both the “religion as self-expression” condition ($\beta = 2.62, p < 0.05$) and the control condition ($\beta = 2.79, p < 0.05$) exhibited the endowment effect. However, the endowment effect in the “religion as contentment” condition was much stronger ($\beta = 6.08, p < 0.001$). This was because the sellers in the “religion as contentment” condition asked for significantly higher prices than those in the “religion as self-expression” condition ($\beta = 3.45, p = 0.05$) and marginally higher prices than those in the control condition ($\beta = 3.28, p < 0.10$).

We used an archival dataset to provide evidence of external validity for our results by collecting data on the religiosity ranking based on the county-level number of congregations per 10k people and the asking prices for three types of popular used cars both for individual sellers and dealers. We find dealers’ prices do not significantly change with the number of congregations, whereas individuals’ prices significantly increase as the number of congregations increases ($\beta = 75.21, p < 0.001$).

Overall, we find strong support for the role of religious beliefs playing a key in the endowment effect. This impact is driven by a social comparison that leads religious people to feel they shouldn’t covet missing goods possessed by others, and as a result leads them to overvalue their own goods.

**Trickle-Round Signals: When Low Status Becomes High**

**EXTENDED ABSTRACT**

Conspicuous consumption and trickle-down theories suggest that fashions start with high-status individuals and move their way downwards (Simmel 1957; Taylor 1974; Veblen 1899/2007). But a number of examples seem to contradict these approaches. Jeans were originally worn by miners and factory workers before celebrities adopted them and famous chefs use commercial junk food in their sophisticated dishes. When and why do high-status individuals sometimes adopt tastes associated with low-status groups?

This article proposes a trickle-round theory of fashion that explains why high-status individuals sometimes adopt items clearly associated with low-status or marginalized groups. Field and lab studies demonstrate that high-status individuals adopt “downscale” tastes, in part, to distance themselves from the middle-status. Because emulating low-types is too costly and risky for middles to copy, it provides an alternative way for high-types to distinguish themselves. Thus we propose tastes and styles may trickle-round directly from the bottom of society to the upper-class, only after diffusing to the middle.

Importantly, this strategy hinges on the presence of multiple signaling dimensions. Rather than trying to be seen as completely low-status, high-status individuals mix-and-match high and low signals (e.g., Lobster Mac ‘n Cheese or wearing a trucker hat with Gucci loafers) as a way of distinguishing themselves from middles.

Four studies consider the adoption of low-status signals and related status dynamics in a variety of identity-relevant contexts (e.g., food, clothing, and a stylized signaling game). Study 1 provides a test of our trickle-round theory in the field, demonstrating that high-status restaurants are disproportionately likely to offer lowbrow dishes. We collected a random sample of 1,520 dishes offered at different price tiers of restaurants (all American cuisine, located in New York City). Two coders rated the level of association of each dish with “lowbrow food,” that is the extent to which the dish, or part of it, included links to downscale, low-status, or working class recipes or ingredients (e.g., Fish and Chips, Mac ‘n Cheese, and Tacos). Naturally, as restaurant price increased, the number of lowbrow menu options tended to decrease. More importantly, as predicted, this pattern reversed for high-status restaurants, where the percentage of lowbrow dishes increased again ($\beta = 3.56, t(1,516) = 4.71, p < .000$). Moreover, we use textual analysis to demonstrate that, as predicted, when offering lowbrow items, high-end restaurants tend to mix-and-match them with highbrow ingredients.

Study 2 (N=382) uses a more controlled design to test whether high-status individuals are more likely to prefer downscale fashion products. Specifically, we compare the choices of fashion-savvy respondents recruited through a Luxury club (i.e., high-status group) to two control groups with analogous demographic, but lower fashion knowledge. We selected four pairs of products, three of which (i.e., two bags, hats, shoes) were pretensed so that one option was seen as significantly more downscale than the other, and one pair (i.e., two glasses) perceived equivalently in terms of status. In addition to an effect of fashion knowledge ($Wald \chi^2 = 13.91, p < .001$), results revealed the predicted interaction ($Wald \chi^2 = 6.81, p = .009$). As predicted, for choice pairs where one option was more downscale, high-status respondents were more likely to pick the downscale products ($M_{high} = 55\%$ vs. $M_{low} = 34\%$, $Wald \chi^2 = 37.94, p < .001$). In categories where the two options were neutral, however, there was no effect of status on choice ($M_{high} = 42\%$ vs. $M_{low} = 38\%$, Wald $\chi^2 = .47$, NS).

Studies 3 and 4 test the proposed mechanisms using a novel signaling paradigm in the lab. In study 3, participants (N=256) imagined a society with three types of people (highs, middles, and lows) where signaling occurs exclusively along two dimensions: shape and color. Each status grouping is associated with a certain shape and color combination (high-status people are yellow-triangle, middle-status are red-square, low-status are blue-circle). All participants are assigned to high type and are told that told they will play a number of rounds of a signaling game, in which they can choose one of three colors and one of three shapes as a signal to send to an observer. If the observer correctly identifies their high status, they will win extra compensation ($$1). To test our proposed mechanism, we manipulate between rounds whether high-status signals are co-opted by the middle-status group. As predicted, while almost no one selected low-status associated options in the first round, in the second round, when faced with imitation from middles, a significant percentage of people switched to low-status associated options ($Wald \chi^2 = 29.91, p < .001$).

We also asked participants to explain their thought process after the second choice and coded their open-ended comments on three dimensions (i.e., distinction, uniqueness, authenticity). As hypothesized, a logistic regression predicting whether participants picked low-status associated choices in the second round as a function of the three motives demonstrated that only “seeking distinction” was significantly related to choice ($\beta = .72, Wald = 56.29, p < .001$).

Finally, study 4 (N = 169) tests the role of multiple signaling dimensions in these effects. We use the paradigm from study 3 and manipulate the number of status signaling dimensions available. Half the participants receive the same society as study 3, where two dimensions (i.e., shape and color) are available, while the other half receive a simpler society, where signaling occurs exclusively along one dimension (i.e., shape). As predicted, the adoption of low-status associated guises in the second round ($M_{low} = 32\%$) is significantly reduced when the ability to express status is confined to one signaling dimension ($M_{high} = 11\%; z = 3.47, p = .001$). Finally, we again measure our hypothesized underlying process of distinction and find
that it mediates the effect of condition on choice of low-status associated signals (indirect effect = .57; 95% C.I. = .07 to 1.15).

In conclusion, this research demonstrates that high-status individuals may purposely choose to adopt tastes and habits associated with low-status groups as an alternative signaling strategy to distinguish themselves. This work contributes to understanding signaling dynamics, social influence, and the diffusion of fashion.

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