

Reconciling Impulsiveness with Self-Control: Explaining Differential Impatience toward Hedonic and Utilitarian Consumption

Oleg Urminsky and Ran Kivetz, Columbia University

From "Navigating Between Virtues and Vices," Khan and Urminsky (2003) Advances in Consumer Research, Volume 31,358-361

Short Abstract:

Intertemporal decisions often involve tradeoffs between certain costs and the timing of consumption or ownership. We argue and empirically demonstrate that, *ceteris paribus*, consumers are more impatient for hedonic (or luxury) goods than utilitarian (or necessity) goods. However, when making actual purchase decisions involving cost-timing tradeoffs, the effect is reversed and consumers are more willing to bear a cost for faster receipt of a utilitarian good than for a hedonic good. We propose that the "luxury guilt" associated with hedonic goods gives rise to enhanced use of self-control when such purchases are not easily justified. Supporting this interpretation, we observe a more pronounced reversal effect for consumers with high luxury guilt, and find that desire for the good correlates with the timing of utilitarian purchases, but not hedonic purchases. We demonstrate that these effects are eliminated when costs can be justified or guilt is reduced.

Long Abstract:

Consumers often face purchase-timing decisions involving tradeoffs between when a good is received or consumed and the cost paid (e.g. prices that decrease over time, costs of expedited delivery, etc.). This paper addresses the question of which conditions motivate consumers to be more or less willing to accept monetary costs to receive goods sooner.

The notion that goods are discounted over time, with lower utility when deferred than in the present, is fundamental to modern economic theory (Strotz 1956). Therefore, given finite resources and implicit or explicit costs to receive goods sooner, timing preferences for different goods are often in conflict, and intertemporal choices may be made differently for hedonic versus utilitarian goods. One stream of research, centered on the notion of hyperbolic discounting, suggests that consumers discount benefits realized immediately ("vices") less than long-term benefits realized later ("virtues"), leading to a form of myopia in decision-making (Ainsle 1975; cf. Hoch and Loewenstein 1991). Relatedly, the notion of affect-dependent time discounting (Loewenstein 1996; Metcalfe & Mischel 1999; Mischel, Shoda and Rodriguez 1989; Vallacher 1993) suggests that goods higher in affective (i.e. hedonic) dimensions will be discounted more steeply over time than goods higher in cognitive (i.e. utilitarian) dimensions.

Another stream of research, however, focuses on the role of guilt and self-control in decisions about hedonic and utilitarian consumption (e.g. Dhar and Wertenbroch 2003; Kivetz and Simonson 2002a, 2002b; Prelec and Herrnstein 1991; Strahilevitz and Myers 1998; Thaler 1980). This research suggests that goods that provide the highest pleasure (i.e. desired hedonic items) inspire the most guilt (Lascu 1991) and, conversely, spending on utilitarian goods may be easier to justify and less painful (Kivetz 1999; Prelec and Loewenstein 1998). Indeed,

consumers have been shown to utilize self-control mechanisms to resist the temptation of hedonic items or vices (e.g. Wertenbroch, 1998). In fact, research on mental accounting (e.g., Thaler 1985; Thaler and Johnson 1990) and mental budgeting (e.g., Heath and Soll 1996) suggests that consumers may not spend enough on hedonic items perceived as indulgence. Further, Kivetz and Simonson (2000a) argue that, for many consumers, a tendency to be overly far-sighted (“hyperopic”) can lead to chronic underconsumption of hedonic luxuries. Such consumers are shown to employ deliberate self-control tactics, such as irreversible pre-commitments to hedonic consumption and experiences in low guilt situations.

This paper integrates both streams of research in the context of purchase-timing decisions for hedonic and utilitarian goods, and provides a conceptual framework for when myopic, non-myopic, or even hyperopic choices are made. We argue that, while all goods are generally preferred sooner (cf. Loewenstein 1987; Loewenstein and Prelec 1993), there is a natural impulse to disproportionately desire hedonic goods earlier compared to more utilitarian goods. Thus, the baseline desire to expedite will be stronger for hedonic goods than utilitarian goods. Consumers' decisions, however, are typically not only affected by the desire to expedite hedonic goods, but also moderated by a higher-order process. Specifically, when choices involve salient costs and guilt-inducing hedonic luxuries, justifiability is assessed. When justifiability is perceived to be low, self-control behaviors are often triggered. The sensitivity of individuals to "luxury guilt" varies, and for those with high levels of such guilt, the self-control effect may be strong enough to lead to hyperopic choices (i.e. increased delay of hedonic consumption relative to utilitarian consumption of lower value).

These hypotheses were investigated in a series of studies using different goods and consumption activities as well as various delay mechanisms. Consumers were asked to make everyday choices involving a cost associated with more immediate consumption or ownership (e.g. deciding whether or not to wait for a cheaper price in the future, in a time period when prices were known to be falling). We found, in between subjects tests, that consumers delayed purchases of hedonic items (e.g. a DVD player) more than those of utilitarian items (e.g. a Palm Pilot organizer) that were equally or less desired. This finding is at odds with affective discounting, which indicates that hedonic goods should be discounted more steeply, and customers should therefore place a greater value on receiving such items immediately, compared to otherwise equivalent utilitarian items.

We argue that the greater willingness to wait for hedonic goods is due to the exercise of self-control, particularly among consumers who tend to feel guilty about indulging themselves in the present and spending money on hedonic luxuries (i.e. high "luxury guilt" individuals). In fact, we find substantially more willingness to wait for the hedonic good among those with high luxury guilt (based on an individual difference scale) than among those with low luxury guilt. In contrast, we find no difference of luxury guilt, or even a small reverse effect, for the utilitarian goods. Thus, consistent with the notion that tempting items can give rise to self-control behavior in the presence of a cost, consumers with high luxury guilt defer hedonic goods but do not defer utilitarian goods, relative to consumers with low luxury guilt.

In addition, consistent with our conceptual framework, we find that the desire for a good (operationalized as felt impatience or good desirability) is a significant predictor of consumers' timing of utilitarian purchases, but not a predictor of their timing of hedonic purchases. This finding supports the notion that the process of deciding how long to wait for a utilitarian good is largely governed by basic impulse, and is based directly on the desirability of the good and the impatience felt. For hedonic goods, however, purchase-timing decisions involve not only the

basic impulses of desirability and impatience, but also are counterbalanced by a higher order process involving considerations of guilt, justifiability, and self-control.

Additional experimental conditions demonstrate that reducing luxury guilt eliminates the tendency to delay purchases of hedonic compared to utilitarian goods. In these conditions, the choice options were the same, but a guilt-reducing manipulation was introduced (e.g. consumers chose when to use a gift certificate they had won in a raffle to buy a DVD player or a Palm Pilot). Across different studies, when such manipulations were employed, the difference in the timing of hedonic and utilitarian purchases was eliminated or even reversed, with consumers waiting longer for the utilitarian good than the hedonic good. Furthermore, in the alternative conditions designed to reduce the impact of guilt, we found that consumers with low and high "luxury guilt" made similar choices, and the pattern of differential timing for hedonic purchases-based on luxury guilt was eliminated.

The studies generalize these findings to other delay mechanisms (e.g., paying for expedited shipping; delayed availability of equivalent lower priced goods), different types of hedonic "vices" and utilitarian "virtues" (e.g., circus vs. planetarium tickets; pleasure reading vs. reference books), and other guilt-reducing manipulations (unrelated windfall gains, bundled charity donations). Additional studies test boundary conditions of the effects, underlying mechanisms, and alternative explanations.

References

- Ainsle, George (1975), "Specious Reward: A Behavioral Theory of Impulsiveness and Impulse Control," *Psychological Bulletin*, 82 (April), 463-496.
- Dhar, Ravi and Klaus Wertenbroch (2003), "The Costs and Benefits of Temptation: Choice Set Effects on Consumption Utility," INSEAD Working Paper, 2003
- Heath, Chip and Jack B. Soll (1996), "Mental Budgeting and Consumer Decisions," *Journal of Consumer Research*, 23 (June), 40-53.
- Hoch, Steve and George Loewenstein (1991), "Time-Inconsistent Preferences and Consumer Self-Control," *Journal of Consumer Research*, 17 (March), 492-507.
- Loewenstein, George F. (1987), "Anticipation and the Valuation of Delayed Consumption," *Economic Journal*, 97 (September), 666-684.
- Loewenstein, George F. (1996), "Out of Control: Visceral Influences on Behavior," *Organizational Behavior and Human Decision Processes*, 65 (3), 272-292.
- Loewenstein, George F. and Drazen Prelec (1993), "Preferences for Sequences of Outcomes," *Psychological Review*, 100 (1), 91-108.
- Kivetz, Ran (1999), "Advances in Research on Mental Accounting and Reason-Based Choice," *Marketing Letters*, 10 (3), 249-266.
- Kivetz, Ran and Itamar Simonson (2002a), "Self-Control for the Righteous: Toward a Theory of Precommitment to Indulgence," *Journal of Consumer Research*, 29 (September), 199-217.
- Kivetz, Ran and Itamar Simonson (2002b), "Earning the Right to Indulge: Effort as a Determinant of Customer Preference towards Frequency Program Rewards," *Journal of Marketing Research*, 39 (May), 155-170.
- Lascu, Dana N. (1991), "Consumer Guilt: Examining the Potential of a New Marketing Construct," in *Advances in Consumer Research*, Vol. 18, ed. Rebecca Holman and

- Michael Solomon, Ann Arbor, MI: Association for Consumer Research, 290-295.
- Metcalfe J. and Walter Mischel (1999), "A Hot/Cool System Analysis of Delay of Gratification: Dynamics of Willpower," *Psychological Review*, 106, 3-19.
- Mischel, Walter, Y. Shoda and M. L. Rodriguez (1989, May 26), "Delay of Gratification in Children," *Science*, 244, 933-938.
- Prelec, Drazen and Richard J. Herrnstein (1991), "Preferences or Principles: Alternative Guidelines for Choice," in *Strategy and Choice*, ed. Richard J. Zeckenhauer, Cambridge, MA: MIT Press, 319-340.
- Prelec, Drazen and George F. Loewenstein (1998), "The Red and the Black: Mental Accounting of Savings and Debt," *Marketing Science*, 17 (1), 4-28.
- Strahilevitz, Michal and John G. Myers (1998), "Donations to Charity as Purchase Incentives: How Well They Work May Depend on What You Are Trying to Sell," *Journal of Consumer Research*, 24 (March), 434-446.
- Strotz, Robert H. (1956) "Myopia and Inconsistency in Dynamic Utility Maximization," *Review of Economic Studies*, 23 (3), 165-180.
- Thaler, Richard H. (1980), "Toward a Positive Theory of Consumer Choice," *Journal of Economic Behavior and Organization*, 1, 39-60.
- Thaler, Richard H. (1985), "Mental Accounting and Consumer Choice," *Marketing Science*, 4 (Summer), 199-214.
- Thaler, Richard H. and Eric J. Johnson (1990), "Gambling with the House Money and Trying to Break Even: The Effects of Prior Outcomes on Risky Choice," *Management Science*, 36 (June), 643-660.
- Vallacher, R. R. (1993), "Mental Calibration: Forging a Working Relationship Between Mind and Action," in *Handbook of Mental Control*, D. M. Wegner and J. W. Pennebaker (Eds.), Englewood Cliffs, NJ: Prentice Hall, 443-472.
- Wertenbroch, Klaus (1998), "Consumption Self-Control by Rationing Purchase Quantities of Virtue and Vice," *Marketing Science*, 17 (4), 317-337.