

Research Article

Go beyond just paying: Effects of payment method on level of construal☆

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Abstract

Does paying by credit card induce consumers to think more abstractly than paying in cash? In a series of five studies, we show that priming people with a concept of a credit card as the payment method could lead them to construe information more abstractly than priming them with a concept of cash as the payment method. We distinguish between two processes that might account for the above effect, examine the factors that moderate this effect, and demonstrate the marketing implications of our findings.

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Keywords: Mental construal; Payment method; Credit card; Cash

Introduction

Since the 1960s, credit cards have become a popular payment method. In the US market, the value of payment made by credit card has exceeded the value of cash transactions (Bennett, Conover, O'Brien, & Advincula, 2014). Credit cards are known to not only serve as a payment method, but also to change people's behavior in a wide range of domains. Compared with paying in cash, paying by credit card may increase consumers' propensity to spend (Feinberg, 1986; Hirschman, 1979; Prelec & Simester, 2001; Raghurir & Srivastava, 2008; Soman, 2001, 2003), lead to a weaker psychological ownership of purchased products (Kamleitner & Erki, 2013), and increase people's willingness to help others (Chatterjee, Rose & Sinha, 2013).

In the present research, we investigate another difference between credit card payment and cash payment—the activation of different levels of mental construal. According to construal level theory, people may construe the same event or object at different levels, which further influences how people process information and make judgments and choices (Liberman & Trope, 1998; Trope & Liberman, 2010; Trope, Liberman & Wakslak, 2007). High-level construals entail constructing information at a more abstract level and capture the superordinate and central features of an object or event; low-level construals, on the contrary, lead people to construe information in a more concrete way that captures subordinate and incidental features of an object or event. Drawing on extant research on payment mechanisms (Raghurir & Srivastava, 2008; Soman, 2001), we propose that reminding people of credit cards versus cash as a payment method may trigger different levels of mental construal. Specifically, when the concept of credit cards is primed, consumers may construct information more abstractly than when the concept of cash is primed.

Different explanations might account for the effect we propose. First, paying with cash is often more painful than paying with a credit card (Raghurir & Srivastava, 2008), and this negative feeling may signal a problematic environment and induce people to think more concretely (Schwarz, 2002;

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Wegner & Vallacher, 1986). Second, people typically pay cash at the time of purchase, whereas credit card payments are usually deferred for several weeks after purchase. These different payment mechanisms might lead people to either focus on paying money now or on paying money later, thus inducing different levels of temporal distance and further changing the level of construal in general (Liberman & Trope, 1998; Liberman et al., 2002).

Five studies provide support for the effect of different payment methods on construal level and investigate the process that underlies this effect. By doing so, this paper makes several contributions. First, although previous research has shown priming the concept of money can generally lead people to think more abstractly than they otherwise would (Hansen, Kutzner, Wanke, 2013), this research is the first to demonstrate that different payment methods (cash vs. credit card) can activate different levels of construal. Second, our research provides a deeper understanding of how different processes may affect the level of construal, and also tests which process is more likely to account for the effect we observe. Third, our research provides important practical implications for marketers. As our studies demonstrate, paying with cash or a credit card may affect the choices consumers make in a later unrelated situation.

The remainder of the manuscript is organized as follows. First, we elaborate on the conceptual framework of how different payment methods might affect construal level. Next, we test our propositions in a series of five studies. Finally, we conclude with a discussion of theoretical and managerial implications, as well as the direction for future research.

Theoretical background

Payment mechanism and mental construals

According to construal level theory, a key determinant of construal level is the psychological distance (Trope & Liberman, 2010; Trope et al., 2007). Psychological distance has four basic dimensions: temporal, spatial, social, and hypothetical (see Trope et al., 2007, for a review). When an event happens in the distant future, in a remote place, involves a person who is not close to the self, or is not likely to happen, this event is more likely to be construed at a high or abstract level (Fujita, Henderson, Eng, Trope & Liberman, 2006; Liberman & Trope, 1998; Liberman et al., 2002; Liviatan, Trope & Liberman, 2008; Wakslak, Trope, Liberman & Alony, 2006). Recently, scholars in psychology and marketing have paid attention to subtle situational factors that might affect mental construals, such as the role people play in a transaction (Irmak, Wakslak & Trope, 2013), the darkness of the environment (Steidle, Werth & Hanke, 2011), and the clothes people wear (Slepian, Ferber, Gold & Rutchick, 2015). In the present research, we are interested in whether people construe information at different levels depending on whether they pay with cash or with a credit card.

Previous research has examined how the activation of the concept of credit cards or cash may influence one's level of

mental construal. To elaborate, Hansen et al. (2013) suggested that because money is associated with many types of resources such as security, status, confidence, and freedom, the activation of the concept of money might signal a benign environment, fostering more abstract, high-level construal. In support of their assumption, they found that participants were more likely to construe actions and events abstractly if they were primed with the concept of money than if not. Note that in their studies, the authors did not show that paying with a credit card versus cash can generate different effects on construal level. Actually, their studies used both credit cards and cash to prime the concept of money, suggesting that priming the concept of credit cards might produce a similar effect on the construal level as priming the concept of cash.

In the present research, we are interested in whether priming the concept of credit cards versus cash may activate different levels of construal. Instead of priming the concept of credit cards or cash in general, we focus on credit cards or cash as a payment method. We propose that if people pay with either a credit card or cash, they might be activated with different kinds of mindsets to process information at hand. That is, the activation of credit cards (vs. cash) as a payment method may trigger a higher level of construal, which in turn shapes consumer judgment and preference.

Our idea about the effect of payment method on construal level comes from the finding that paying by credit card is less painful than paying in cash (Prelec & Loewenstein, 1998; Raghurir & Srivastava, 2008). For this reason, research has shown that consumers tend to spend more when using a credit card than cash (Feinberg, 1986; Hirschman, 1979). Also, Soman (2001) compared the expenses people recalled with those they actually incurred for a particular period, and found that people tend to underestimate their credit card expenses to a greater extent than their cash expenses. This finding also indicates that the lower pain of paying with a credit card (vs. cash) might lead people to remember the expense less accurately (see also Srivastava & Raghurir, 2002, for similar evidences).

Several reasons can explain why credit card payment is less painful than cash payment. First, cash is the most transparent form of payment, with high vividness and salience (Raghurir & Srivastava, 2008; Soman, 2003), whereas credit cards are an opaque form of payment that people may not think much about when making the payment. As a result, people might pay more attention to and deliberate more on the payment when they pay with cash rather than a credit card, resulting in more intense pain of payment in the former case. Second, credit card payments are psychologically decoupled from purchase, which may also reduce the pain of payment (Prelec & Loewenstein, 1998; Raghurir & Srivastava, 2008; Thaler, 1999; Tokunaga, 1993). Consistent with these assumptions, recent research finds that participants who are primed with the concept of credit cards focus more on benefits, whereas a cash concept may result in more focus on the costs when evaluating products (Chatterjee & Rose, 2012). Third, the mental representation of the process of paying cash often involves a complicated process of handing over a visible amount of cash to another, receiving

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