

Universidade Católica Portuguesa  
Católica Lisbon School of Business & Economics

Dissertation Research

# CONCEPTUAL CONSUMPTION: LUXURY AND PRACTICAL GOODS

Candidate:

Rita Castanheira

ritagamacastanheira@gmail.com

Supervisor:

Prof. Nicole L. Mead

nicole.mead@ucp.pt

*Conceptual consumption has been the subject of much research attention recently. However, its impact on physical consumption remains unexplored. There is contradictory research that point towards two different perspectives. Some research suggests that conceptual consumption will lead to an increase of physical consumption while others defend that conceptual consumption will contribute to a decrease of the physical consumption. This paper attempts to test whether conceptual consumption increases or decreases physical consumption. Also, it studied if the previous effect was dependent on the type of product. Additionally, it investigated tightwad and spenderthrift behaviors and checked whether these moderate the effect of conceptual consumption on physical consumption of both type of goods. The results showed no statistical evidence of an interaction between the type of product and conceptual consumption. However, a positive and statistically significant correlation between the purchase intentions of practical goods and tightwad was found. Moreover, an equivalent positive and statistically significant relationship between the purchase intentions of luxury goods and income satisfaction was encountered. These findings bring further insights into understanding the phenomenon of conceptual consumption.*

Recentemente, o consumo conceptual tem sido alvo de muita pesquisa. No entanto, o seu impacto sobre o consumo físico permanece insuficientemente explorado. Existem estudos contraditórios que apontam para duas perspectivas diferentes. Alguns autores defendem o facto de que o consumo conceptual levará a um aumento do consumo físico, enquanto outros defendem que o consumo conceptual contribuirá para uma diminuição do consumo físico. Este trabalho procura testar se o consumo conceptual aumenta ou diminui o consumo físico. Adicionalmente, estudámos se o efeito anterior está dependente do tipo de produto. Investigámos também os comportamentos de consumidores com menos e mais propensão para gastar (tightwad e spenderthrift, respectivamente) e verificámos se estes controlavam o efeito entre consumo conceptual e físico de ambos os tipos de bens. Os resultados não mostraram nenhuma evidência estatística de uma interação entre o tipo de produto e o consumo conceptual. No entanto, existiu uma correlação positiva e estatisticamente significativa entre as intenções de compra de bens utilitários e tightwads. Também constatámos uma relação positiva entre as intenções de compra de bens de luxo nos consumidores com elevada satisfação perante o seu rendimento. Estas descobertas comportam novas perspectivas para a compreensão deste fenómeno de consumo conceptual.

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The dissertation was an enduring process with me having to face the challenge of making progress whilst having to cope with the fact that some fields involved in this thesis had not yet been studied by me before in my academic career.

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## 1 INTRODUCTION

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In modern human life, in consumer society, people desire more than ever before. People are gradually more exposed to commercial stimuli which drive them to continuously wish to possess. Nowadays, consumers are facing an era which makes them consider that psychological and social statements are mainly made by having material (e.g. car) and/or experiential (e.g. extreme sports) goods. For example, owning a Louis Vuitton travel bag makes some people believe they belong to an elite/ luxury world. At the same time, this possession is not a self-statement but also intends to show others a symbol of a high social and economic status. Things are not valued per se but because they stand for concepts or embody several types of paradigms.

Humans tend to add conceptual layers even in the most basic act of consumption. Hence, more often than not, people engage in conceptual consumption without noticing it. Previously, a person could only have access to luxury brands in special magazines and newspapers but today they are more widely available. For instance, in Fashion Week events people are exposed to the latest collections and are in contact with live models in shop windows. Here, people can go through the process of imagining themselves with products or experiences that were previously inexistent. Aided by technology, branding and advertising are favoring conceptual consumption. Nowadays, computers take advantage of artificial intelligence to register and track a consumer profile, not only what people actually buy but also what they wish to buy. On this latter level, conceptual consumption plays an important role as it amplifies both the needs and desires to foster potential physical consumption.

In more traditional channels, such as TV and radio, communication was not oriented to a specific target. People would be exposed to products or brands that sometimes did not match the concepts they are directly looking for. On the Internet, the interaction between consumers and products is much closer when compared to more ancient advertising channels. . That is to say, they match the consumer profile and people are showered with products and concepts that they potentially have an interest in, from being at work or chatting with friends on a personal email account to social networks like Facebook, people are constantly showered with every type of things. Furthermore, almost all companies are endeavoring on websites which are more and more appealing by conveying concepts that have an impact on the consumer. A large number of companies are aware of the fact that people literally live on virtual worlds and therefore throw “fuel to the fire”. This takes into account that the consumer will be vulnerable before the act of purchasing.

In conceptual consumption, there is a preponderant psychological role of in a decision making process. Researchers are still trying to understand the effect of conceptual consumption on physical consumption. Will conceptual consumption increase the likelihood that people purchase physically or will it actually contribute to a decay of it? This paper tests competing hypotheses as there is contradictory literature on this matter. Some research suggests the idea that conceptual consuming goods will lead to an increase of actual consumption, while recent research suggests the exact opposite finding.

The aim with this study is to understand through the lens of conceptual consumption the interplay between conceptual and actual consumption by assessing consumers' purchase intentions. The research developed in this work contributes to the understanding of this phenomenon by analyzing to what extent conceptual consumption increases or decreases the interest in both practical and luxury goods. Furthermore, this study will seek for reliable factors that can explain the relationship between conceptual consumption and purchase intentions.

In order to provide a thorough and meticulous project, the work was divided into the following terms: in section 2, a literature review on the study of consumer behavior, the impact of conceptual consumption on the decision making process and its effect on physical consumption is presented. In section 3, the problem statement is addressed; research questions and the hypothesis being tested are developed. In Section 4, it is defined how the research was conducted and how the data was classified. In section 5, the results obtained are shown. Finally, in section 6, the same results and conclusions are discussed.

## 2 LITERATURE REVIEW

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Before focusing on the central test of this thesis, previous literature on consumer behavior, physical and conceptual consumption will be revised. In addition, in order to build competing hypotheses in a broader way, literature on psychological behavior on how goals are perceived in consumers' minds will be addressed. Past research brought a variety of insights and a greater understanding of several factors influencing consumer behavior. Although not much is yet known about this new interaction between consumers and goods, Ariely and Norton (2009) pointed out many concepts that will enrich this particular work.

### 2.1 Physical consumption

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Nowadays, developed societies face a frenzy of overconsumption, even amidst a crisis. According to Borgmann (2000), "to live is to consume" and the argument behind this

consumerism is self-esteem that leads to ever-increasing collection of wishes. However, the reasons why people consume ought to be separate in order to investigate the real drives of consumers.

People consume to serve different types of functions. On the one hand, people consume in order to survive as a way of fulfilling basic needs, such as eating and drinking. On the other hand, people also consume to supply psychological and emotional functions. For example, people buy practical goods so that they can feed themselves and secure their basic needs. In contrast, people buy luxury goods to feel pleasure, enjoyment and desire (Tsai, 2005).

Despite this distinction, recent research suggests that fulfilling a basic necessity is not just an action, but also a behavior, a sign of preference (Ariely & Norton, 2007). At the moment, artefacts and experiences can speak for themselves, people do not go after the product/experience itself but after the social exchange value that is set in on the purchase (Sacchetti, 1994). Even the everyday buys are considered to be a social need that people use not only to reflect their identity (Belk, 1988) but also to use it as relation materials to interact with others (Douglas & Isherwood, 1979). Hence, as a social statement, be it to themselves or others, people physically consume to guarantee their survival but also for symbolic purposes.

## 2.2 Luxury and Practical goods

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In line with one of the two reasons stated in the previous section, consumers are looking for products' symbolic meanings. In fact, products can convey attitudes, a state of mind or even communicate specific messages. Considering the following examples and its underlying messages in brackets: "I use recycled envelopes" (I care about the environment) and "I go to classic concerts" (I am cultured) (Wattanasuwan, 2005). From material possessions to experiences, consumers (and corporations) are taking advantage of a products' expressive meaning to incorporate it in their self creation project. These meanings they aspire to are socially desirable and those they are against, considered to be undesirable, are widely present in society.

Consumers have distinct psychological avenues to process luxury or practical goods purchase (Chua & Zou, 2009). Comparing luxury to practical goods, the human brain keeps luxury goods in a distinct place whereas practical goods are not. Practical goods purchases are made in a more rational (need by need) manner. On the other hand, luxury goods possess many attributes that entice the brain. For instance, researchers found that delight has a positive correlation with repurchase (Neal, 1999). In the same line of thought, luxury brands

“promise pleasure” and it is a resourceful trigger to motivate repeated purchases. People feel motivated to re-experience pleasurable feelings (Hagtvedt & Patrick, 2009). Furthermore, several authors argue that buying a luxury product activates the dream to repurchase and to obtain more high branded items (Dubois & Paternault, 1995). Both sets of goods have included for the purpose of this study in order to identify if there are distinctions between each.

## 2.3 Conceptual Consumption

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As luxury goods possess the characteristics mention in section 2.2, people feel the urge to acquire more and more. In fact, mainly due to financial constraints, people cannot attain all their wishes. Conceptual consumption occurs when people psychologically consume ideas and concepts embedded in almost every single product or experience

It must be noted that conceptual consumption occurs so people can intangibly access products that were otherwise not available. Through conceptual consumption people engage in a mental process of acquiring the goods without having to pay for them. In other words, conceptual consumption might sate people needs.

Practical goods seem to undergo a shorter conceptual consumption process as compared to luxury goods. Both goods fuel different desires that might require quicker or shorter responses. If I want a bag of rice, I might desire it to fulfill my hunger; on the other hand, if I want a luxurious watch, it might respond to a desire that can be fulfilled with less urgency.

Although there is a dearth of research to prove this, there is also lack of evidence to support any opposite assumption that would be intimately linked to the fact that conceptual consumption might sate people’s desires in the act of physical consumption. For these reasons, the following sections will enumerate research that point towards two different perspectives.

## 2.4 Competing Hypotheses

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### 2.4.1 Conceptual consumption will decrease actual consumption

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Contemporary society is a foremost consumer society and therefore people pursue many goals at the same time. However, human mind cannot successfully follow a high number of goals simultaneously. In fact, humans have restricted resources due to the executive function, the limited ability to complete many tasks at the same time. Recent research has pointed that

once a person sets a plan by deciding how and when to act, the brain automatically incorporates that information and stops dealing with it as a task to be completed or an unfulfilled goal. Instead, the task becomes an issue that was perceived as done (Masicampo & Baumeister, 2011).

In parallel, when facing a choice consumers tend to assess through mental images the potentialities that certain product or experiences have. Research suggested that every time a consumer goes through the mental process of imagining one item's consumption, vivid and visual attributes can better influence consumers' choice as they are more attractive (Shiv & Huber, 2000).

Furthermore, as it is easy to imagine, consumers can retain value from characteristics associated to the products. As a result, through the process of conceptual consumption, people are able "to vicariously experience the self-relevant consequences of product use" (Shiv & Huber, 2000). That is to say, if consumption can be sated in this way, consumers will not be looking to physically consume the product.

In this sense, people set possessions as a target or as a goal. People that show an interest for a particular set of goods, show for product related behaviors and extract a hedonic utility from it (Shiv & Huber, 2000). This also results in a decrease of the purchase intentions.

The study focuses on analyzing how practical and luxury goods will behave in the presence of conceptual consumption and if it will positively or negatively affect the respective purchase intentions. As the conceptual consumption phase is thought to be longer and more likely to occur with luxury brands (also due to its inherent higher price ranges), it is expected to see consumers extracting a hedonic utility from imagining the consumption of the luxury goods. From this study, a greater evidence of this effect within the luxury brands proposed versus the practical goods is intended to be found.

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#### 2.4.2 Conceptual consumption will increase actual consumption

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Human mind is built in such a way that it meditates on a goal until the goal/task is completed. According to the Zeigarnik's effect (1927), people tend to evaporate from their mind tasks completed and always remember things in process of being done. Based on the origin of this thought and in order to prove it, a study was performed. Several people were asked to perform a difficult puzzle. When the instructor interrupted to announce the study was over, 90% of the participants still went through with the puzzle until they finished it. Built on that was another study that asked participants to analyze a series of anagrams. In

experiment 1, participants were interrupted after one-half of the tasks were completed. In experiment 2, participants were interrupted after two-thirds of the experiment was completed. Since participants were instructed to decide whether a subsequently presented anagram contained the same or a different third letter as the underlined letter of the cue item, those more early interrupted (exp.1) showed a better prospective memory performance (Miintylyii & Sgaramella, 1997). After post-task period, people generally display a reengagement behavior and tend to remember interrupted tasks better than completed ones<sup>1</sup>.

In this vein of research, one goal was eliminated if completed. Conscious or unconsciously, human beings are guided by objectives on a strategic alliance with the brain that functions as a detector by protecting from distractions and keep working towards a specific goal. Once a goal is defined, the brain acts as a promoter by carrying out several processes in order to achieve it (Shiv & Huber, 2000).

The act of consumption serves a goal. Goals are mental issues that lead an organism to choose and pursue activities in order to attain them; a goal directed behavior (Masicampo & Baumeister, 2011).

The more repeated executions of similar actions, the stronger the association between that goal and the respective action. This makes it easier to obtain the desired goal. Having a plan and taking little steps towards the goal, facilitates the effective goal attainment (Aarts & Hassin, 2005). In addition, there is research to support that if a person imagines performing a future action, its perceived likelihood of occurrence will increase (Patrick, Lancellott, & Hagtvedt, 2008). This study did not cover this topic directly, but evidence from the study might provide further information regarding the potential impacts conceptual consumption can have on luxury and practical goods.

### 3 PROBLEM STATEMENT

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Despite previous research on people's motives for conceptual consumption, researchers are still trying to understand its effects on physical consumption. Will conceptual consumption lead to a decrease or increase in consumers' purchase intentions, in turn, physical consumption?

Theoretically, both are possible. On the one hand, some authors argued that if a person takes little steps towards a goal, the conceptual consumption might increase the physical consumption of the good (Aarts & Hassin, 2005). Contrary, if a person pictures her/himself

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<sup>1</sup> web site: <http://en.wikipedia.org/wiki/Suspense> accessed on the 4th January 2012

having the hedonic good, they have mentally enjoyed it and therefore will be less likely to physically purchase it (Shiv & Huber, 2000).

Research and interpretation of the current reality shows evidence of increasing levels of consumerism (Stearns, 2006) and worldwide advertising expenditure<sup>2</sup>. Despite the actual crisis, companies are continuously investing on advertisement in an attempt to have a high conversion rate from conceptual consumption into physical consumption. Advertising is a way of fueling conceptual consumption which in turn might explain why people have increased their purchase intentions and consumerist behaviors.

Hence, this research aims to further contribute to the ongoing understanding of this observable fact and what impact person characteristics and product categories have on physical consumption. In particular, this study will measure purchase intentions of luxury and practical goods and observe if conceptual consumption shows signs of positively or negatively impacting the original purchase intentions.

### 3.1 Research Questions

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1. Does conceptual consumption increase or decrease purchase intentions?
2. Does this effect of conceptual consumption on purchase intentions differ for practical and luxury goods?

The main objective of this paper is to investigate how and why conceptual consumption impacts purchase intentions of both practical and luxury goods. Also, the aim is to find statistical evidence that tries to understand the impact of this phenomenon.

### 3.2 Hypotheses

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Nowadays, consumers are always looking for new items of consumption. Thus, they must seek for alternative ways to attain their compulsion for consumption. As ordinary consumers cannot achieve all their goals as far as consumption is concerned, people engage in conceptual consumption as a means of sating the act of physical consumption. This results in a lesser degree of purchase intentions.

H1: Conceptual consumption increases purchase intentions

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<sup>2</sup> Websites: <http://mediadecoder.blogs.nytimes.com/2011/07/12/forecaster-trims-prediction-for-ad-spending/> + <http://www.emarketer.com/blog/index.php/tag/worldwide-ad-spending/> accessed on the 6<sup>th</sup> January 2012

Consumers are known to perform differently accordingly to different type of goods. Hence their preferences towards purchase intentions can also differ accordingly. As luxury goods grant feelings of pleasure, enjoyment and fun, consumers tend to access these goods through conceptual consumption retaining therefore products' characteristics. Hence, research may indicate that consumers feel their act of consumption already psychologically fulfilled. Consequently, consumers will be less interested in acquiring these goods and therefore it will make purchase intentions decline.

H2: Conceptual consumption decreases luxury goods' purchase intentions versus practical goods' purchase intentions

## 4 MODERATORS

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### 4.1 Spenderthrift/Tightwads/ Income Satisfaction

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In this section, some potential moderators that might influence the relationship between conceptual consumption and purchase intentions will be examined.

Consumers tend to experience immediate emotions in a decision making process (Rick & Loewenstein, 2008). People are likely to differ in terms of experiencing immediate emotions and these differences have important behavioral implications. People rely on immediate emotions such as the pain of paying to decide. For example, tightwads who experience intense pain of paying are more likely to spend less than they ideally thought. By contrast, spenderthrifts are those who choose as if they were abdicating of nothing. As a result, they experience minimal pain of paying and consequently spend much more than they idealized at first (Rick, Cryder, & Loewenstein, 2008). These spending behaviors may have impacts in both practical and luxury goods.

In addition, common sense also suggests that income plays a crucial role when determining the level of consumption. Karl Marx said "a house may be large or small; as long as the surrounding houses are equally small it satisfies all social demands for a dwelling. But if a palace rises beside the little house, the little house shrinks into a hut". Personal well-being judgments are made by comparison, evaluated through relative rather absolute lens (Easterlin, 1995). Conversely, Solberg et al (2002) suggested that people in the same relative standard point of comparison feel equally satisfied with their income. However, when a person is satisfied with his/her income, it immediately translates into power to buy and therefore more

willingness to spend (Pride & Ferrell, 2009). These potential purchase moderators are also analyzed in this study in an attempt to understand the sample.

## 4.2 Hypotheses

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From the research presented in this study, when people adopt a strategy to fight consumption relying on their immediate emotions, tightwads will suffer intensely compared to spendthrifts. Given this, tightwads are supposed to retract their purchase intentions of luxury goods. On the opposite, spendthrifts will enhance their purchase intentions for both practical and luxury goods.

H3a: Tightwad will decrease purchase intentions towards luxury goods

H3b: Tightwad will increase purchase intentions towards practical goods

H4: Spendthrifts will increase purchase intentions towards both practical and luxury goods

According to the literature, there should be a positive relationship between income satisfaction and purchase intentions for both practical and luxury goods.

H5: Income satisfaction increases purchase intentions for both practical and luxury goods

## 5 ACADEMIC AND MANAGERIAL RELEVANCE

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### 5.1 Academic Relevance

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The research of consumption patterns has brought valuable insights, although little is known as to why conceptual consumption impacts consumer purchase intentions. Consumer behavior, both pre and post acquisition, has been developed by several scholars even though the study of conceptual consumption remains underexplored.

This thesis will thus provide a further insight into the effects of conceptual consumption on consumers' buying behavior. As stated, there is contradictory research regarding the impact of conceptual consumption on physical consumption. Scholars are still trying to be acquainted

with this novelty and its effects. Until now, no one approached deeper the relationship between different type of products being conceptually consumed and its purchase intentions. The aim of this study is to see the impact of purchase intentions through different products that are conceptually consumed.

## 5.2 Managerial Relevance

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Conceptual consumption is a growing phenomenon that is gaining importance. Research has been devoted to assess customers aspirations of purchase and conceptual consumption seems to be the lead driver in the decision making process. Although theoretically conceptual consumption goes hand in hand with physical consumption, there is not significant research to support its practicability.

Firms are in search of ways to effectively build upon their consumer base. In addition to meeting consumer needs by offering the best good or service possible, firms, by means of conceptual consumption, will have to seek ways of leveraging untapped consumer knowledge.

Companies need to address this concept to draw competitive advantage from it and to better serve customers' desires. In addition, companies are being challenged to integrate the amount of information available turning it into useful knowledge and ultimately into products or services. By understanding the social related value in purchases, companies can replicate amongst several product categories their strategies to meet the concepts consumers are looking for. The focus of this study was on the impacts of conceptual consumption in consumers' decision making process.

## 6 RESEARCH METHOD AND DATA

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### 6.1 Overview

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The extent to which conceptual consumption process consisted of an increase or decrease of the physical consumption was examined. The study of the effect of conceptual consumption on physical consumption attempted to replicate a real online shopping purchase. Although physical consumption was not measured in this study, it was designed to simulate the act of physical consumption by creating different sets of questionnaires where two sets provided the option of putting a product in an online wish list/basket (See Appendix I) and the other was a control set. The metric chosen to assess physical consumption was purchase intentions. In

addition, the effects of the relationship between conceptual and physical consumption were examined and the hypothesis was whether they were dependent on the type of good. The present work also examined other moderators related to the purchase intentions.

## 6.2 Method

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The participant group consisted of 120 workers of Mechanical Turk<sup>3</sup> (MTurk) (86 Male, Mage=26.53 years, SD age=7.613). All tasks and instructions were administered on a computer through Amazon MTurk application which is made available upon registering a profile (restricted to US-based entities) and by loading an account. It was guaranteed that the same person could only complete one of the three questionnaires once. Participants did not require any special skills to participate and received a reward of 0,15\$ per 30 seconds per survey.

Each participant was randomly assigned to one of three conditions: wish list, cart, or control. In the wish list and cart conditions, participants were asked to shop on Amazon with a specific list of six items (three luxury goods: tablet, coffee machine and hi-fi and three household goods: batteries, laundry products and toilet paper). All participants were asked to find each item, note down their prices and add them to the wish list or cart, respectively. In the control condition, people were asked to purely observe the items and write down the correspondent prices. Afterwards, the likelihood of actually acquiring each item in the questionnaire was assessed (“How interested would you be in buying the products if priced within your budget?”). Participants indicated their purchase intentions on a scale from 1 (not at all) to 7 (very much so). In between, participants were invited to realize a filler task. This is a common tool used to measure the participant's memory capabilities and aimed at distracting them from the main purpose of the data collection. In this phase of the experiment, participants visualized an image of Ray-Ban's advertisement campaign “never hide” and were then asked several questions about it.

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### 6.2.1 Manipulation check

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The manipulation check was directly incorporated into the questionnaire. Participants in the wish list and cart condition were told to conceptually consume all items presented in the shopping list. In order to verify if participants followed the script given at the beginning of the

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<sup>3</sup> The Amazon Mechanical Turk (MTurk) is a crowdsourcing Internet marketplace that enables computer programmers (known as Requesters) to co-ordinate the use of human intelligence to perform tasks that computers are unable to do yet (source: wikipedia)

questionnaire, a small margin of error regarding prices was accepted. Amazon usually displays more than one price for the same item (e.g.: discount prices for second hand products or promotional events). Knowing that, for each product, there was an interval of acceptance. If the price was correct, participants' answers were admitted (1= accept), if participants had introduced a higher or lower value that was incorrect, they were automatically rejected (0= reject). As a result, sixteen participants were removed from the main sample.

The previous criteria were extended for the time of completion. As MTurk offers a payment per survey and participants are filling the survey at home there is an incentive to accelerate responses and not to answer carefully in order to start other survey. For that reason, participants who spent less than the mean (M=243 seconds) filling out the questionnaire were eliminated.

In addition, all respondents that did not supply an answer regarding their spending habits were removed. This information was related to individual differences that may impact the DV. This reduced the total number of responses to 90 complete responses.

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## 6.2.2 Data Collection

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The data from MTurk was collected through a computer program Statistical Package for the Social Sciences (SPSS) mostly used for statistical analysis in social sciences.

Respondents were divided into three conditions: control group, wish list and cart and 120 responses were drawn. Of these, 90 fully completed the questionnaire, whilst 30 of the participants were not included in the database. Among these, 86 were male and average age stood at 26, 74 years of age.

Additionally, completion rate stood at around 76% which shows that those that accessed the thorough survey (10 min) were committed to their contribution. This sub-sample of 90 remained representative of the original sample contacted.

## 6.3 Variables

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### 6.3.1 Independent Variables

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In this experiment, the independent variables consisted of three conditions. These were randomly assigned to each participant and predefined rather than predicted.

- a) Control Group - This variable identified those consumers of the population who were led to only read the descriptions of the products.

- b) Wish List – This variable identified those consumers of the population that were involved in mentally processing the decision making process of self-consumption. And for that reason, they were invited to add the products to the Wish List on Amazon’s web site.
- c) Cart - This variable identified those consumers of the population that were involved in mentally processing the decision making process of self-consumption. And for that reason, they were invited to add the products to the Cart on Amazon’s web site.

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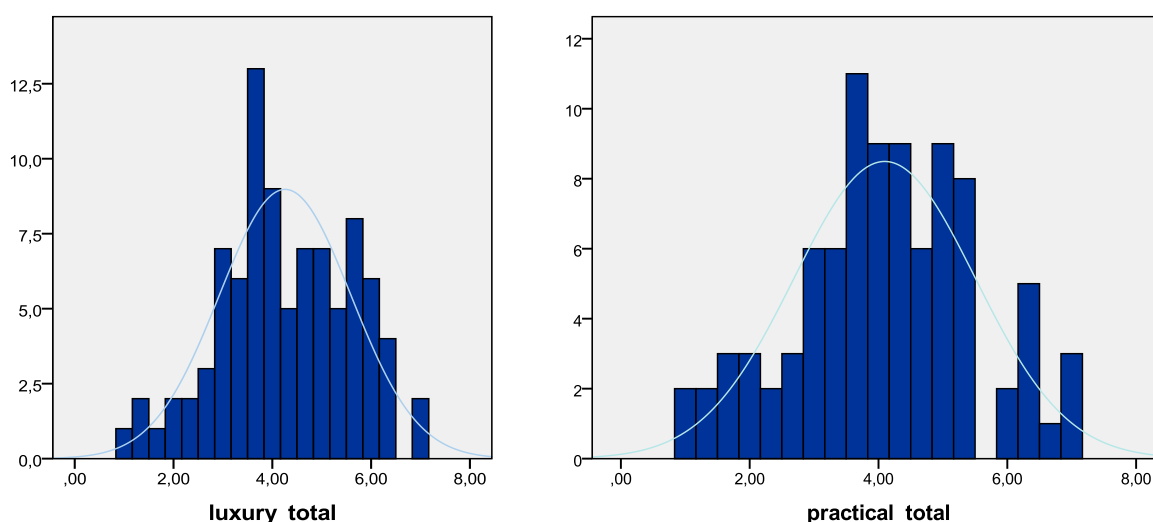
### 6.3.2 Dependent Variables

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In the questionnaire, participants were asked to rank their intention to buy each item on a scale from 1 (not at all) to 7 (very much so). As predicted, participants would behave the same way towards luxury items (ipad2, hi-fi and nespresso) and practical goods (tide, toilet paper and duracell), they were grouped into 2 DVs by computing a mean of the buying intentions value for the three luxury (luxury\_total) and practical goods (practical\_total). In order to test if these variables were reliable, a reliability analysis was computed. This assured an acceptable coefficient for luxury total ( $\alpha = 0,645$ ) and practical total ( $\alpha = 0,767$ ). (See Appendix II)

These dependent Variables (DV) showed to be the most consistent with a normal distribution model. (See the histogram for these variables below)

**Figure 1 – Histogram of DV**



Controlled variables are included to avoid their potential influence on the effect of the IV on the DV. The demographic set of control variables consist of: Age (in years); Female (0=Female, 1=Male), Education (1=some high school, 2=high school graduate , 3=some college, no degree, 4=associates degree, 5=bachelors degree, 6=graduate degree (masters, doctorate)); Income (1 = less than \$1k, 2 = \$1k - \$5k, 3 = \$5-10K, 4 = \$10-20K, 5 = \$20-30k,6 = \$30-40k, 7 = \$40-50k, 8 = \$50-60k, 9= \$60-80k, 10 = \$80-100k, 11 = \$100-150k, 12 = over \$150k), Employment ( 0= unemployed, 1= employed) and Nationality (open ended response).

In the final 90 observations considered for this analysis, there was a striking domain of the Indian participants. They represented 73,3% of the sample followed by Pakistani (7,8%) and Americans (3,3%). There were 28 females (31,1%) and 62 males (68,9%), and ages range from 18 to 62, and average age being 27, 24 years. Most participants were unemployed student (38, 9%) or professional (41,1%) and only 20% were employed. In addition, 52,2 % of the sample earn \$10,000 - \$19,999 as an annual income. Finally, the majority of respondents had a bachelors degree (52,2%) or higher (17,8%). (See Appendix III)

The other variables refer to personal traits and individual differences that may moderate the relationship between conceptual consumption and purchase intentions. , the consistency of consumers' spending habits was assured by using questions used and tested in previous motivational academic studies. Participants were asked to rank their level of tightwad on a 7-item Likert Scale (from 1 = never to 7 = always) by answering the question "I have trouble spending money" ( $M_{\text{tightwad}} = 3.57$ ,  $SD = 1.608$ ). Also, participants were asked "I have trouble limiting spending" on a 7-point scale (from 1 = never to 7 = always) to reflect their level of Spenderthrift ( $M_{\text{Spenderthrift}} = 4.33$ ,  $SD = 1.438$ ).

Concerning individual differences, participants' impulsivity and income satisfaction were assessed on a 7-item Likert Scale (from 1 = not at all to 7 = very much so). These variables, "I often buy things on impulse" ( $M_{\text{impulse}} = 4.00$ ,  $SD = 1.469$ ) and "I feel happy with my income" ( $M_{\text{incomesatisfaction}} = 4.14$ ,  $SD = 1.540$ ), were also approached in this study. (See Appendix IV)

## 7 RESULTS

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To begin with, a correlation matrix was run. Control variables exhibited the following impacts: Regarding practical goods, Female had a positive impact of 0.302 ( $p < 0.05$ ), Age had a

positive impact of 0.252 ( $p < 0.05$ ). However, Education, Employment and Income presented null statistically significant impact. In the DV luxury total, none of the control variables showed statistically significant results. (See Appendix V)

There was no significant variation between the wish list group ( $M_{\text{wishlist}} = 4.284$ ,  $SD = .168$ ), the cart group ( $M_{\text{cart}} = 4.222$ ,  $SD = .189$ ), and the control group ( $M_{\text{control}} = 4.011$ ,  $SD = .182$ ,  $F(2,87) = .645$ ,  $p = .527$ ,  $\eta_p^2 = .015$ ). This results reported inexistent interaction between conceptual consumption and purchase intentions and therefore there is insufficient statistical evidence to support H1 - *Conceptual consumption increases purchase intentions* (See Appendix VI)

An analysis of variance (ANOVA) registered no noteworthy differences regarding the type of products. Compared to predictions, People from the control group desired luxury goods ( $M_{\text{luxury\_total}} = 4.034$ ,  $SD = .249$ ) as much as they did practical goods ( $M_{\text{practical\_total}} = 3.989$ ,  $SD = .264$ ). The behaviour was repeated in the other two experimental conditions: cart ( $M_{\text{luxury\_total}} = 4.395$ ,  $SD = .258$ ;  $M_{\text{practical\_total}} = 4.049$ ,  $SD = .274$ ) and wish list ( $M_{\text{luxury\_total}} = 4.343$ ,  $SD = .230$ ;  $M_{\text{practical\_total}} = 4.225$ ,  $SD = .244$ ;  $F(2,87) = .181$ ,  $p = .835$ ,  $\eta_p^2 = .004$ ). There is no statistically significant evidence to support H2 - *Conceptual consumption decreases luxury goods' purchase intentions versus practical goods' purchase intentions*. Differences in both luxury and practical goods do not play a major role in explaining deviations in purchase intentions. Also, this suggests that the type of product and the condition did not combine to influence purchase intentions, the dependent variable. A follow up test confirmed the results. (See Appendix VII)

Personality and individual differences were set as a covariance that might moderate the relationship of conceptual consumption and purchase intentions. Regarding the impact of tightwad on the purchase intentions, a negative effect was observed ( $R^2 = .008$ ,  $\beta = -.087$ ,  $F(1,88) = .668$ ,  $p = .416$ ). However, this is not statistically significant and therefore H3a - *Tightwad will decrease purchase intentions towards luxury goods* - is not supported. (See Appendix VIII)

Tightwad had a positive impact on the purchase intentions of practical goods ( $R^2 = .150$ ,  $\beta = .387$ ,  $F(1,88) = 15.524$ ,  $p < 0.01$ ). There is statistical evidence to support H3b - *Tightwad will increase purchase intentions towards practical goods*. (See Appendix IX)

Spendthrifts had a positive effect on both practical and luxury goods ( $R^2 = .008$ ,  $\beta = .089$ ,  $F(1,88) = .708$ ,  $p = .402$ ;  $R^2 = .005$ ,  $\beta = .070$ ,  $F(1,88) = .429$ ,  $p = .514$ , respectively). However, the results obtained were not statistically significant and consequently H4 - *Spendthrifts will increase purchase intentions towards both practical and luxury goods* - is not supported. (See Appendix X)

When analyzing the regression, the variable income satisfaction had a positive impact on luxury ( $R^2 = .204$ ,  $\beta = .452$ ,  $F(1,88) = 22.617$ ,  $p < 0.01$ ) and practical ( $R^2 = .016$ ,  $\beta = .125$ ,  $F$

(1,88)=1.389,  $p=.242$ ) goods. Hence, there is only statistical significance to support the hypothesis H5 – *Income satisfaction increases purchase intentions for both practical and luxury goods* – that income satisfaction plays an important role in explaining the purchase intentions in luxury goods. (See Appendix XI)

## 8 DISCUSSION AND CONCLUSION

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### 8.1 Discussion

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This study aims to enhance the understanding of the power behind the phenomenon of conceptual consumption, in particular, the analysis of consumers' purchase intentions and if the type of goods has some significant influence on it.

When considering how conceptual consumption determines the increase or decrease of purchase intentions, there was no statistical significance that indicated that these variables were related. Despite being considered two completely independent phenomena, research suggests that conceptual consumption is embodied in acts of consumption, even in the most basic ones (Ariely & Norton, 2009). The results might provide an indication that there are other more prominent factors that influence purchase intentions more than conceptual consumption. Nevertheless, this is a complex phenomenon that is hard to measure as it is not an absolute metric. Possibly, for that reason, the metric computed for this work, did not produce an effect on it. Such finding is important because it suggests further fields of investigation.

Participants manifested approximately the same purchase intentions for both practical goods and luxury goods although there was insufficient statistical evidence to support this result. There are two possible interpretations for the results obtained. On one hand, the consumers value their purchase intentions equally, be it a luxury good or a practical good, because they would like to consume both sets of goods with the same intentions. For example, in the moment of filling out the questionnaire a participant was intending to buy toilet paper/batteries (needed it at home) as much as intended to buy a Hi-fi/iPad (had been saving up for the purchase). On the other hand, it might be possible that the two sets of goods are so distinct that a consumer values each set of good in an equally distinct decision process. Research had suggested that luxury goods do possess specific attributes that meet consumers' emotional and psychological needs, whilst practical goods are not submitted to this same process as they are bought in a utilitarian basis. The latter possibility gives ground to the

hypotheses set up for the moderators which provided statistical evidence of other factors influencing purchase intentions of each set of goods.

From known research, purchase intentions tend to increase in line with a person being more tightwad. The results provide sufficient statistical evidence to support this previously tested research but only when in the presence of practical goods - usually cheaper than luxury goods – do tightwads feel reduced immediate pain of paying (Rick, Cryder, & Loewenstein, 2008). Regarding luxury goods, as expected the results indicated reduced purchase intentions although not statistically significant.

There is also insufficient statistical evidence to prove the relationship between spendthrifts and positive purchase intentions towards both sets of goods. Spendthrifts feel reduced pain of paying for goods and the results did not show for evidence in either of the sets of goods. If spendthrift in itself is insufficient to explain the behavior of a consumer, there must be other stronger factors. As such, the results showed that regarding income satisfaction, there was a positive correlation between the purchase intentions of both luxury goods and practical goods. However, there was only sufficient statistical evidence to support the relationship of the former.

Does conceptual consumption increase or decrease purchase intentions? These results bring some further insights into the discussion of conceptual consumption and its impact on physical consumption but also show the complexities of consumer behavior and the interdependencies within the decision making process. The study also hints further evidence that the psychological consumption of ideas and concepts, can occur in two distinct moments be it together with physical consumption or be it independent from physical consumption.

## 8.2 Conclusions

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Firms want consumers to cooperate in a rational manner which as it is widely known it not a possible in every scenario. Consumers are many times unpredictable and are difficult to understand. In parallel, conceptual consumption can better explain the relationship in a decision making process since it has been pointed by research as a priority driver of physical consumption. Some research suggests that people go primary after the concepts behind products and experience.

One example<sup>4</sup> is Lululemon Athletica's<sup>5</sup> brand. Their products have seen significant success with yoga participants and surprisingly with consumers "who have never done Yoga and who

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<sup>4</sup> Website: <http://marketinggeek.blogspot.com/2009/07/conceptual-consumption.html> was accessed on the 13<sup>th</sup> of October 2011.

<sup>5</sup> Yoga-inspired athletic apparel company, producer of an athletic clothing line and runs international clothing stores

have no intention of every practicing it". The brand builds its position by purposely "selling a concept" with a particular life style and attitude.

Replicating such a brand position is not a simple process and does imply purposely built marketing tactics for conceptual consumption by consumers. Firms have attempted to explore the positive impacts of conceptual consumption by creating different slogans that appeal to "green ideas", "light/low-fat food", "fair trade product", etc, at times to the point that firms more than sell products or services, they "sell emotions". Ideally, a consumer should feel both satisfied with their conceptual consumption as with their physical consumption. Firms can seek to interact with consumers in both situations of conceptual and physical consumption but must be careful not to have a consumer fully satisfied solely with its conceptual consumption. This is particularly relevant and a challenge for companies that communicate heavily through digital marketing. With the increasing non-materialistic interactions between firms and consumers objects are losing their importance. The physical ownership of a good (collection of artefacts such as Vinyl's/CD's) is being substituted by the availability of shared digital files (iTunes). A similar situation occurred with the collection of post stamps by e-mail or post cards by digital photographing and editing.

Social network fan pages available for brands are a channel for conceptual consumption. It might be possible that some of the people which make public their preference for a brand "want to be in the know about" but it might also be reducing their appetite to actually consume the product, physically. This might be further present with luxury brands due to the fact that they carry a set of "social" and "ego-boosting" values. This phenomenon might challenge some of the digital marketing strategies used by luxury brands but can be used to the advantage of the practical goods.

Luxury goods and practical goods are impacted by conceptual consumption, but firms must never exclude the consumer spending habits as they do play an important role in the purchase intentions. Some women with spendthrift behaviors that repeatedly buy different pairs of shoes sometimes do not even get round to using some of the shoes they have bought. If a consumer has no disposable income, conceptual consumption activity will be less able to impact physical consumption.

Practical goods can benefit from conceptual consumption by generating brand loyalty, but can "live better off" without it than luxury goods. For example, Coca-cola sells millions worldwide, yet they do have aggressive advertisement campaigns. People can question why do they need to keep the high levels of advertisement? A possible explanation, so far to be proved, is that Coca-Cola capitalizes on conceptual consumption so that people physically consume their product. On the other hand, conceptual consumption might be a pre-requisite

for consumers of luxury goods so they can justify the purchase intentions on a higher priced good, especially for the income satisfied group of consumers.

Hence, individual differences must be taken into account by companies so they can better target their consumers. Conceptual consumption is increasingly important for firms, if consumers are more distracted, if there is more competition, being in the mind of consumers is a step closer to having them consume your product although it might not always trigger physical consumption.

### 8.3 Limitations of the study

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Although some questions were repetitive, people were successfully motivated by being offered rewards, through MTurk, for each submitted questionnaire. However, the survey lacked an attention check in the participants' actions or distractions throughout the filling of the survey. This study did not include a mind wandering control check. It is acknowledged that people often wander off while reading or filling tasks. For that reason, people from this study did not carefully participate were perhaps included.

Given the time constraints, the questionnaire was not the best set up plan to study this phenomenon. The constraints set in the delivery of this thesis did not enable the preparation of an experiment followed by questionnaire in the best conditions and collect over time a larger sample. From my point of view, it is beyond a possibility of two people's investigation since it involves deep digging, a systematic analysis and a high number of participants into consumers' habits and decision making reasoning. This is probably one of the main issues of concern regarding the results obtained. A doctorate thesis would be beneficial in providing better and timely conditions for the study of a larger sample. Furthermore, it would benefit the creation of conditions that actually measure and verify actual consumption patterns.

Another limitation is due circumstances of the questionnaire where not always the declared preferences are the preferences that later turn out to be revealed. There was not a way in which the study could confirm if the participant would actually behave like indicated.

### 8.4 Further Research

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The phenomenon of conceptual consumption has been present in consumerism although it has not been named this way. Given the awareness of this concept, new approaches must be taken into consideration to further investigate consumers' in order to have measurable

consequences. Further research should have manipulation measures to control people from engaging in conceptual consumption although the human brain always attaches several layers at every consumption act, even in the most basic ones such as drinking. While controlling for the process of consumption, people would be subjected to a product and its similar private label. Afterwards, research should follow consumers' actions towards different types of goods and observe if people are more or less prone to physically acquire one or the other.

Blogs, twitting, wikis, and social-networking sites are instrumental in enabling conceptual consumption. For example, the rise of the social network, Facebook, and the act of making a LIKE via Facebook, has made possible negative physical consumption in exchange of conceptual consumption. In the paper of Ariely & Norton, the understanding of this powerful parallel reasoning is pointing to several fields of unexplored research.

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10.1 Appendix I – Three Questionnaires

Three types of questionnaire

Please follow the steps:

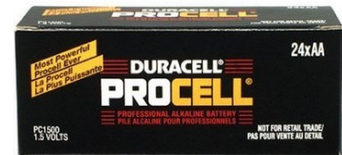
- Go to amazon.com
- You will have a shopping list composed of 6 items
- Click on the images and note down their prices
- Finally add to the cart

Quest #1

Quest #2

Quest #3

- Finally add to the wish list
- Finally read their descriptions



1. What is the price of iPad 2?
2. What is the price of Tide?
3. What is the price of Hi-Fi?
4. What is the price of Nespresso?
5. What is the price of Toilet paper?
6. What is the price of Duracell?

After writing down the prices of each item, please look at the following picture:



2. Below are listed several concepts or feelings embodied in this image.

Please select three of the options below you think best suits the environment of this image

- Achievement and success
- Living an active and full life
- Making smart choices
- Freedom to be one's self
- Being accepted by others
- Being young at heart and in appearance
- Making a better world

3. How interested would you be in buying the products if priced within your budget? (1: not at all; 7: very much so)

Apple iPad 2

Tide

Hi-fi

Nespresso

Toilet Paper

Duracell

4. Do you care the way you spend money?

- Yes
- No

5. "I often buy things on impulse" (1: not at all; 7: very much so)

6. How often do you buy premium products\*? (1: never; 7: always)

\* A high quality good/service for which a customer will be willing to pay a premium (extra) for and is usually valued above other competing goods/services

7. How much do you desire luxury products? (1: not at all; 7: very much so)

8. Do you feel happy with your income? (1: not at all; 7: very much so)

9. "Do you have trouble limiting your spending?" (1: never; 7: always)

10. "Do you have trouble spending money?" (1: not at all; 7: very much so)

11. What is your gender?

- Male
- Female

12. What is your age?

13. Which of the following best describes your highest achieved education level?

- some high school
- high school graduate
- some college
- no degree
- associates degree
- bachelors degree
- graduate degree (masters, doctorate)

14. Employment status

- Unemployed student
- Unemployed professional
- Employed part-time
- Employed full-time
- Self-employed
- On leave (e.g. disability, maternity, etc.);
- Retired

15. What is your annual income bracket ? (approximate salary in one year in US dollars)

- Less than \$1,000
- Between \$1,000 and \$4,999
- \$5,000 - \$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- 60,000 - \$79,999
- \$80,000 - \$99,999
- \$100,000 - \$150,000
- Over \$150,000

16. What is your nationality?

Thank you very much for your cooperation!

## 10.2 Appendix II – Reliability Statistics of the DVs

Reliability Statistics		
	Practical_Total	Luxury_Total
Cronbach's Alpha	.767	.645

## 10.3 Appendix III - Analysis of Research Method and Respondents Profiling

Research Method	
	Total
Nº of participants contacted	120
Nº of fully completed surveys	90
% of fully completed surveys	75
Nº of respondents removed from Manipulation check + Time completion	16
Nº of incomplete answers	14

Profiling Respondents	
	Total
Age	
Average	27,34
Maximum	62
Minimum	18
Female	0,311
Nº of nationalities	18
Employed	0,2
Bachelors degree or higher	0,7

## 10.4 Appendix IV - Descriptive Statistics of Individual Differences

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Impulse	90	1	7	4,00	1,469
tightwad	90	1	7	3,57	1,608
spendthrift	90	1	7	4,33	1,438
income satisfaction	90	1	7	4,14	1,540

## 10.5 Appendix V– Correlations between DV and Control Variables

\*\* correlation is significant at the 0,01 level (2-tailed)

Correlations						
		employment_dum	income	education	female	age
practical_ total	Pearson	,052	-,018	,116	0,302**	0,252*
	Correlation					
luxury_ total	Pearson	-,014	,169	-,024	-,168	,037
	Correlation					
Sig. (2-tailed)		,629	,869	,277	,004	,016
Sig. (2-tailed)		,896	,112	,825	,114	,726

\* correlation is significant at the 0,05 level (2-tailed)

## 10.6 Appendix VI – Estimated Marginal Means (condition) -H1

Estimated Marginal Means				
condition	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
control	4,011	,182	3,650	4,373
cart	4,222	,189	3,847	4,597
wishlist	4,284	,168	3,950	4,619

Tests of Between-Subjects Effects						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Intercept	3105,096	1	3105,096	1614,981	,000	,949
condition	2,482	2	1,241	,645	,527	,015
Error	167,273	87	1,923			

10.7 Appendix VII - Estimated Marginal Means (type of product \* condition) - H2

Estimated Marginal Means					
condition	type_product	Mean	Std. Error	95% Confidence Interval	
				Lower Bound	Upper Bound
control	1	4,034	,249	3,540	4,529
	2	3,989	,264	3,464	4,513
cart	1	4,395	,258	3,883	4,907
	2	4,049	,274	3,506	4,593
wishlist	1	4,343	,230	3,887	4,800
	2	4,225	,244	3,741	4,710

1 - Luxury goods  
2 - Practical goods

Tests of Within-Subjects Contrasts							
Source	type_prod uct	Type III	df	Mean Square	F	Sig.	Partial Eta Squared
		Sum of Squares					
type_product	Linear	1,285	1	1,285	,680	,412	,008
type_product*	Linear	,684	2	,342	,181	,835	,004
condition							
Error(type_product)	Linear	164,454	87	1,890			

10.8 Appendix VIII – Linear Regression - H3a

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,191	1	1,191	,668	,416
Residual	156,982	88	1,784		
Total	158,173	89			

### 10.9 Appendix IX - Linear Regression - H3b

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ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	26,501	1	26,501	15,524	,000
Residual	150,220	88	1,707		
Total	176,721	89			

### 10.10 Appendix X – Linear Regression - H4

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ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,411	1	1,411	,708	,402
Residual	175,310	88	1,992		
Total	176,721	89			

Practical goods

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	,768	1	,768	,429	,514
Residual	157,405	88	1,789		
Total	158,173	89			

Luxury goods

### 10.11 Appendix XI – Linear Regression – H5

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ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	32,340	1	32,340	22,617	,000
Residual	125,833	88	1,430		
Total	158,173	89			

Luxury goods

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	2,747	1	2,747	1,389	,242
Residual	173,974	88	1,977		
Total	176,721	89			

Practical goods