Budgeting Biases Across Consumption Categories: An Abstract

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Abstract Construal level theory (CLT, Trope & Liberman, 2003) proposes that temporal distance changes one's mental representation of events such that events spanning over longer horizons are represented in terms of abstract features rather than more concrete and incidental details. Furthermore, consumers at a higher level construal tend to focus on the desirability of an activity's end state, whereas those at a lower level construal tend to focus on the feasibility of the means (Liberman & Trope, 1998). Given that utilitarian expenses are generally instrumental and perceived as means to an end, whereas hedonic expenses are more likely to be perceived as an end goal normally associated with sensory and experiential fulfillments (Batra & Ahtola, 1990; Hirschman & Holbrook, 1982), it is plausible that budget setting for hedonic versus utilitarian categories varies as a function of construal level. If at higher levels of construal consumers focus on the desirability of an activity's end state, budgeting of hedonic purchases should be higher when a higher (versus lower) construal is activated. Alternatively, the instrumental value of utilitarian purchases would not vary as much across construal-level conditions leading to minimal changes in budget setting across construal levels.

I conducted two experiments to test this proposition. In the first experiment, I test the moderating effect of consumption type (hedonic vs. utilitarian) on over-budgeting. The second experiment examined construal level as an underlying process while ruling out an estimation bias explanation. Both experiments were conducted with participants recruited from Amazon Mechanical Turk.

In conclusion, results from two experiments support the proposition that, contingent on type of consumption, construal plays an important role on consumer budget setting. Above and beyond confidence of estimation, consumers tend to set larger budgets for hedonic consumption when construal level is higher (vs. lower), whereas budgeting setting for utilitarian consumption does not vary as a function of construal level. This finding provides new insights on the timing of marketing campaigns for different product types.

References Available Upon Request

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