The Effect of Payment Method on Consumer Variety Seeking

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**Abstract**

When buying multiple items, consumers often must decide between acquiring similar versus different items from a choice set. We demonstrate that decision makers exhibit less variety seeking when using payment methods that are associated with high (vs. low) pain of payment. This is because a higher pain of payment increases need for justification, which in turn decreases choice of options that are relatively less preferred.

**Background**

**Literature Review**

• Consumers experience pain of parting with money. Pain of payment increases need for justification, leads to more deliberation in the decision process, and avoidance of options that are likely to cause regret. (Prelec and Loewenstein 1998; Feinberg 1986; Soman 2003; Thomas, Desai, and Seenivasan 2010).

• Variety seeking often involves purchasing of less preferred items rather than sticking to one’s favorite items. Consumption of less preferred items is less enjoyable and could lead to regret. (Simonson 1990; Ratner, Kahn, and Kahneman 1999).

**Propositions**

• **H1:** Higher pain of payment leads to less variety seeking.
• **H2:** Need to justify one’s choice mediates the effect of pain of payment on variety seeking.

**Study 1**

**Results**

\[ M_{\text{Cash}} = 2.71, M_{\text{Coupon}} = 3.15 \]

\[ F(1,106) = 5.07, p = .026 \]

→ **Payment methods that are associated with high pain of payment lead to lower variety seeking.**

![Graph showing the number of different powders chosen with Cash and Coupon]

**Replications**

• Manipulating pain of payment using payment forms (cash vs. credit card) and payment schedules (pre-payment vs. post-payment).
• Purchase contexts of subscribing to online services and choosing activities for a trip.

**Study 2**

• Real purchase (like study 1). Process through mediation.
• N=301 (59% female); Between Subject Design.

• **2 Payment Method** (cash vs coupon).

• **DV:** Choice of 5 tea bag options out of 5 flavor options.
• **Mediator:** Choice justification (3-item scale)

**Results**

\[ M_{\text{Cash}} = 2.75, M_{\text{Coupon}} = 3.14 \]

\[ F(1,299) = 6.314, p = .013 \]

→ **Replicate that high pain of payment leads to lower variety seeking.**

**Study 3**

• Process through moderation. Each participant sees a personalized choice set based on their personal preferences. The effect is attenuated when all options in the choice set are preferred, thus are easy to justify, by consumers.
• N=155 (41% female, Mage = 32.4); Between Subject.

• **2 Payment Format** (cash vs credit card) X **2 Choice Set Composition** (most vs. less preferred items).

**Results**

![Graph showing the number of different flavors chosen with Cash and Credit Card]

Interaction: \[ F(1,179) = 3.60, p = .059; \]

\[ M_{\text{Cash_Bottom}} = 3.16, \quad M_{\text{Cash_Top}} = 3.83, \quad M_{\text{Card_Bottom}} = 3.70, \quad M_{\text{Card_Top}} = 3.67, \quad \text{N.S.} \]

→ **The effect of pain of payment on variety seeking is attenuated when all options in the choice set are highly preferred by consumers.**

→ **When the choice sets contain less preferred options, pain of payment leads to lower variety seeking.**

**Discussion**

• We demonstrate that high pain of payment leads to less variety seeking. We show that this effect is mediated by choice justification and is attenuated when all available options are preferred by consumers.
• This work establishes a causal link between pain of payment and variety seeking and thereby integrates these two important streams of research.
• Managers can choose to either increase sales of popular items, or of less popular items, by simply changing payment mechanisms in stores.