Payday proximity changes consumer motives and behavior

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As any nine-to-fiver will testify, a new paycheck brings with it a familiar sense of freedom, albeit one that dwindles in lockstep with the balance in one's checking account. But, it's not the checking account size that influences consumer behavior; rather, it's the time that has elapsed since payday, according to a new study published in the September issue of the *Journal of Marketing.*

Payday proximity means more than awareness of the amount of money in the bank and product prices. It actually changes consumer motives, response to messages and purchase behavior, report University of Utah marketing professors Himanshu and Arul Mishra.

"Our findings are surprising because previous research has always considered preferences to be relatively stable, not changing much over time," said Himanshu Mishra. "We find that not only do preferences change during such a short duration - paycheck to paycheck, but also that they fluctuate between a promotion and a prevention focus."

Newly paid consumers are more likely to spend money on "promotion-focused" products and services - those that make their lives better, if even in a small way. As the previous payday gets further away, though, consumers are motivated to choose products that are "prevention-focused" - that preserve their current standard of living.

And the results of their forthcoming study may have implications for advertisers and employers, not to mention consumers themselves.

"How Salary Receipt Affects Consumers' Regulatory Motivations and Product Preferences," co-authored with Dhananjay Nayakankuppam of the University of Iowa examines how consumers' behaviors change as the length of time from their last paycheck increases.

"As time goes by and your paycheck is almost spent, you want to maintain your status quo," says Himanshu Mishra.

The study's results could have several real-world applications, Mishra says. For instance, companies that are launching products might be well served to advertise them earlier in the month, when customers are more likely to have just been paid and are more receptive to new ideas. In addition, products with promotion- or prevention-focused characteristics (whitening toothpaste vs. cavity-fighting toothpaste, respectively) might be more effectively advertised at different periods of the month.

Similarly, employers trying to promote certain employee programs may have greater success by timing their message appropriately, Mishra pointed out. For instance, a company-wide exercise program would attract more participants closer to payday since it is promotion focused, with participants working toward improving their lifestyle. An eat-healthy initiative would be more successfully promoted further from payday since it is prevention-focused with emphasis on avoiding certain foods in order to maintain a lifestyle.

"Those messages will have more influence then, because people are more in that mode, in that state of mind," Mishra says.

The study's inspiration came from personal experience, when Himanshu Mishra and Arul Mishra, were graduate students. Back then, they noticed that their own buying behaviors tended to become more prevention-focused as the duration of time from their last paychecks increased.

The study was done in two segments. In the first, 61 participants - all with full-time jobs - were asked to document their buying choices over a month-long period, categorizing purchases as things they "aspired" to buy or "ought" to buy. In the second segment, they asked 152 participants to choose between a series of identically priced and sized products. The snack choice, for example, was chocolate cake (promotion focused) or fruit salad (prevention focused).

The researchers found that the proportion of "aspired" products declined and the proportion of "ought" products increased as the participants got further away from their paychecks. The team also demonstrated that these results were not related to declining checking account balances during the month or to product prices.

After participants chose their products, some actually received their choices through a random-selection process in order to make the study more realistic.

"The idea was, whatever choice they were making should have some real consequences," he says.

Although participants ranged in age from 21 to 45, their ages made no discernable difference, Mishra says. Similarly irrelevant were family size and the presence of children.

In the current economic downturn, with a higher percentage of Americans living paycheck to paycheck, Mishra says he believes the trends seen in this study could become even more pronounced.

"We do believe that when people are more reliant on receipt of paycheck, we will see a stronger effect emerging," he says.

Provided by University of Utah