

Gratitude or guilt? People spend more when they 'pay it forward'

November 26 2013, by Yasmin Anwar



Credit: AI-generated image ([disclaimer](#))

As shoppers across the nation prepare to pounce on Black Friday sales, researchers at UC Berkeley are looking at what happens to commerce when there's no set price tag. In an exhaustive study of consumer behavior, they found that shoppers spend more money when engaged in a chain of goodwill known as "Pay-it-forward" than when they can name

their own price.

"It's assumed that [consumers](#) are selfish and always looking for the best deal, but when we gave people the option to pay for someone else, they always paid more than what they paid for themselves," said the study's lead author, Minah Jung, a doctoral student at the Haas School of Business and a Gratitude Dissertation Fellow at UC Berkeley's Greater Good Science Center.

The results shed new light on the psychological and social forces – such as fairness, obligation, and reciprocity – that guide consumer decisions beyond getting the best deal. For example, the study found that people typically overestimate the financial generosity of others, until they learn what others have actually paid.

"People don't want to look cheap. They want to be fair, but they also want to fit in with the social norms," said Jung, whose findings have been presented at the annual meeting of the Society for Personality and Social Psychology, and the Association for Consumer Research, among other conferences, and are being submitted for publication.

Pay-it-forward is a pricing scheme in which patrons are told that a previous customer has paid for them. The new customer then gets the opportunity to pay for someone else. Such random acts of kindness have been reported at toll bridges, coffee shops and drive-thru restaurants, and they drive the business of Berkeley's Karma Kitchen.

Alternately, "Pay-what-you-want" is an economically similar approach in which the consumers have the option to pay any price they want. It's used by such profitable companies as video game distributor Humble Bundle.

In eight separate experiments, Jung and fellow researchers at UC

Berkeley and UC San Diego compared how more than 2,400 individuals responded to these two elective pricing models at such venues as San Francisco's Cartoon Art Museum, the farmers market at Oakland's Jack London Square and in laboratory settings. At the museum and at the farmers market, consumers consistently paid more for another customer than for themselves when purchasing a cup of coffee or the price of admission.

The same dynamic occurred in lab settings in which UC Berkeley students were given coffee mugs sporting the Cal logo. While some were given the choice to pay what they wished for the mug, others were told someone else had paid for the mug and that they could pay for someone else's mug. Again, those who paid it forward spent more. In a twist, however, students who were told exactly what the previous person paid adjusted their expense accordingly by paying the same amount or a little less.

The researchers also tested the hypothesis that participants under the pay-it-forward scenario might be influenced to pay more if they become acquainted with the person who had previously covered their cost. However, they found no difference in the amount students shelled out, even after meeting their potential benefactor.

That said, researchers found that participants gave more when they could write a message or the amount they had paid on a note to the recipient. Moreover, at Berkeley's Karma Kitchen, where there are no prices on the menu because meals are paid forward by prior customers, diners were handed one of two cards after their meal. One emphasized the gift of giving, and the other of receiving. Those who were reminded of the principle of giving ultimately shelled out more.

"The results suggest that businesses that rely entirely on consumers' social preferences can survive and even thrive," Jung said. "It's pretty

amazing."

Provided by University of California - Berkeley

Citation: Gratitude or guilt? People spend more when they 'pay it forward' (2013, November 26)
retrieved 19 April 2024 from <https://phys.org/news/2013-11-gratitude-guilt-people.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.