Researchers study holiday shopping behavior

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Ready for the holiday shopping season? Chances are, you're conflicted about it. On one hand, you're excited to find the perfect gift for that special someone. On the other hand, you're terrified by the thought of spending too much money, dealing with crowds and falling prey to those sneaky marketing experts who are so adept at convincing you to buy their products.

But research by a pair of University of Kansas professors provides some fascinating insights into consumer behavior and marketing techniques—insights that may be useful to you before you hit the stores this week.

Cash or credit? Payment methods affect consumers' perceptions of products

According to Promothesh Chatterjee, an assistant professor of marketing with the School of Business, shoppers who use cash view their purchases very differently than those who use credit cards.

Chatterjee's research suggests that shoppers who use credit cards focus more on the purchased item's benefits—things like the great picture on a new TV or the super-comfortable fabric on a new shirt. Conversely, shoppers who pay cash focus more on a product's costs—things like price, delivery time, warranty costs and installation fees.

"When it comes to product evaluation, beauty lies in the eyes of the cardholder," said Chatterjee. "People who pay with credit cards focus on the benefits and cool features of a new product, while consumers who use cash tend to focus on the price and other costs."

Although previous research has repeatedly shown that consumers are willing to pay more when they use credit cards instead of cash, it hasn't reflected whether consumer perception of products also is affected by the form of payment. Chatterjee's research fills this void and could have major consumer education implications by demonstrating that marketers—by constantly reinforcing the use of credit cards—may be affecting not just the amount of money consumers spend but also the types of goods and services that consumers buy.

"Paying with credit cards may increase the likelihood of indulgent choices that are less healthy compared to cash," Chatterjee said. "It's also possible that consumers primed with credit cards may choose more attractive or high-image products among substitutes and may more frequently include brands strongly linked to benefits."

So are credit card-carrying consumers doomed to make indulgent, reckless decisions? Not exactly, Chatterjee said, though it might be helpful to "reintroduce some pain" at the point of purchase.

"If we can somehow put that pain back in, we could perhaps retain the convenience of plastic, but at the same time help consumers make more informed decisions," he said. "Perhaps a simple reminder at the point of sale, like an image of cash or a reminder of a bank account balance, could tip the scales back in consumers' favor. For now, the take-home message for consumers is to be careful when paying with credit cards."

Trying to save more? Consolidate your bank accounts

Finding the discipline to save money for a rainy day can be tough, especially on Black Friday.

But Chatterjee has a suggestion for people trying to spend less and save more: Consolidate your multiple bank accounts into one main account.

According to Chatterjee, individuals will save more and spend less when they have a single account compared with multiple accounts. Chatterjee's findings run counter to the conventional wisdom that people should spread their earnings across different accounts to increase their savings.

"For years, the conventional wisdom has been that spreading your money across various accounts encourages you to save," Chatterjee said. "Nowadays, the average American has multiple liquid accounts, typically a combination of checking and savings accounts. But our research finds this is the wrong strategy to encourage saving. We find that individuals are more likely to save if they have only one primary account, rather than many accounts."

Chatterjee's research utilized four separate studies that presented participants the opportunity to earn money across tasks and spend it on different products. The four studies collectively indicated a higher rate of saving among individuals who maintain one account versus those who have multiple accounts.

"Basically, people look for an excuse to spend, and vague information facilitates this," Chatterjee said. "And having multiple accounts provides just enough vagueness to do the trick."

Of course, there are some individuals who are quite comfortable with their multiple accounts and would find it difficult or inconvenient to consolidate money into a single account. But even those individuals could benefit from Chatterjee's findings.

"If you're really opposed to consolidating, you can at least try to reduce the vagueness of having money across multiple accounts by utilizing software and services that provide a consolidated view of all of your accounts in one place," Chatterjee said. "This type of aggregate reporting could help reduce vagueness and enhance savings. But the take-home message remains: Consolidating multiple accounts into one account will help encourage you to save your hard-earned money."

Conservative when crowded? Crowds affect consumer behavior

Heading to the mall on Black Friday for new shoes? Dropping by Home Depot tonight? Or grabbing a burger at the McDonald's drive-thru window?

These three scenarios would obviously entail different levels of crowds, ranging from big crowds at the mall to no crowds at the drive-thru. And according to a KU researcher, that difference in crowd size can lead to dramatically different purchasing behavior by consumers.

Research by Ahreum Maeng, an assistant professor in the School of Business, finds that socially crowded environments lead consumers to be more conservative. Specifically, Maeng finds that consumers in crowded settings prefer safety-oriented options and are more receptive to prevention-framed messages than promotional messages—for example, preferring a toothpaste offering cavity protection over a toothpaste promising a whiter smile. Maeng also finds consumers in crowded settings are less willing to make risky investments.

"Consumers in crowded environments get conservative and safety-focused," Maeng said. "We believe this is because people in socially crowded settings activate an avoidance system that results in a more prevention-focused mindset. This, in turn, makes socially crowded individuals more likely to choose options that provide prevention-focused benefits."

Maeng's research comprises six experiments that collectively exposed participants to crowded or uncrowded settings, then had them complete tasks or indicate preferences for messages, products and behaviors. Collectively, the experiments demonstrated that individuals in crowded settings were more conservative and less willing to gamble.

Maeng's research could have important implications for consumers who could use the information to better plan the time and location of their shopping in an effort to better control their decisions.Of course, perhaps the most obvious beneficiary of Maeng's research would be store managers and retail marketers, who could use her findings to drive decisions on product placement, marketing and advertising.

"For example, our findings indicate a store would benefit by selling and marketing products differently on a crowded Black Friday versus a Tuesday morning in August," Maeng said. "And even within the same day, stores might consider changing their signage or product placement to account for different levels of crowding."

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