

Decision Processes Colloquia

Monday, October 3, 2016

Where: 360 JMHH

When: 12:00 – 1:15 pm

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Drivers of Discretionary Debt Decisions: Explaining Willingness to Borrow for Experiential and Material Purchases

ABSTRACT: The current work examines when to expect greater willingness to borrow for experiential or material purchases. Previous work suggests that consumers prefer using debt to pay for longer-lasting purchases so that they continue to receive benefits from the purchases as they pay for them (payment-benefit duration matching). In contrast, two sets of archival data and seven studies show that consumers are typically more willing to borrow for experiential purchases due to systematic differences in *purchase-timing importance*: perceptions that forgoing purchases in the present cause disutility. To understand when and why willingness to borrow will be greater for experiential purchases, we identify the driving force behind the greater purchase-timing importance for experiential purchases: the strong link between experiential purchases and expected consumption. Specifically, experiential purchases are made primarily for consumption while material purchases are made primarily for ownership. We argue that changes to expected consumption (which is inherently fleeting) seem more consequential than changes to expected ownership (which is an ongoing stable state) and increase the importance of purchase timing. Finally, we reconcile the apparent contradiction between the predictions in the previous and current research by examining the relative impact of purchase-timing importance and payment-benefit duration matching across different borrowing contexts.