Marketing Colloquia
2020 Fall

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Zoom:
12:00 PM to 1:20 PM

THE IMPACT OF PAYMENT FREQUENCY ON SUBJECTIVE WEALTH PERCEPTIONS AND DISCRETIONARY SPENDING

ABSTRACT: An increasingly popular trend is for consumers to get paid more often, resulting in more frequent, yet smaller paychecks. However, surprisingly little is known about whether and how payment frequency impacts consumer behavior. The current work addresses this gap. We first demonstrate a naturally occurring relationship between higher payment frequencies and increased discretionary spending using natural variation in payment frequency in a dataset of more than 27,000 consumers from a large financial institution. We replicate these findings across a series of controlled lab studies, which demonstrate a causal relationship between payment frequency and discretionary spending. This effect is best explained by changes in consumers' subjective wealth perceptions, such that higher payment frequencies increase their subjective wealth perceptions, and thus, their discretionary spending. Finally, we demonstrate that the introduction of a daily pay option by a large employer is associated with an increase in discretionary spending among its workers in the months following. Beyond the contributions to the payment frequency literature, this work reveals that segregated and aggregated gains have broader consequences than previously considered. More broadly, this work suggests that consumers' perceptions about their resources are based not just on how much resources they receive, but also on how and when they receive their resources.