

쾌락적 소비와 일시소득에서의 소비자의 선택

(Hedonic consumption and consumer's choice under the windfall gains)

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(MooGone Seol and YoungKyun Kim)

요약 마케팅분야에서는 제품 상징주의를 지닌 쾌락적 소비에 관한 주제와 관련된 개념적 연구는 상징적 소비주의와 쾌락적 경험연구에 공헌하였다. 예상치 못한 소득이나 일시적 이득에 대한 기대를 소비자가 어떻게 다루는가를 연구하는 것은 그들이 경험을 즐기는데 무엇이 영향을 미치는 가를 이해하는데 도움을 줄 것이다. 이 논문은 쾌락적 소비와 실용적 소비의 상반관계를 논의한다. 일시소득이 발생한 상황에서 언제 왜 소비자들이 쾌락적 혹은 실용적 제품을 선택하는 가를 알아보는 것이 목적이다. 우리는 5개의 가설을 제시하고 일련의 실험을 통해 복권금액이 증가할 때 응답자들은 실용제품보다 쾌락제품을 선호하고, 취득확률은 두 제품간 차이가 없고, 선호순위도 차별화되지 않았다. 일시소득이 증가할 때 두 제품간의 선호그래프는 반대로 나타났다. 할인율이 변할 때 소비자의 선호순서는 변할 것으로 예상된다. 응답자들은 쾌락제품을 가장 선호하고, 실용제품, 할인 현금 순으로 선택하였다. 따라서 소비자의 쾌락주의와 쾌락적 경험에 대한 환상을 자극하는 것은 효과적인 마케팅 전략과 전술이 될 것이다.

핵심주제어 : 쾌락적 소비, 실용적 소비, 일시 소득, 쾌락 선호, 쾌락 경험

Abstract In marketing, the thematic conceptual study related to hedonic consumption with product symbolism contributed to symbolic consumerism and its hedonic experience. Researching how consumers deal with expectations for unexpected income or windfall gains helps understand what makes them enjoy experiences. This paper discusses the trade-off relationship between hedonic and utilitarian consumption. it aims to determine when and why people choose hedonic (pleasant) or utilitarian (material) products under windfall gains. We suggested five hypotheses, and through a series of experiments, respondents preferred hedonic to utilitarian goods when lottery amounts increased and the probabilities did not discriminate between two products. the preference order was not discriminated in the hedonic, utilitarian goods. the shape of preference revealed an opposite direction (U vs. invert-U)when the windfall amounts increased. and when the discounting rates varied, the consumers' preference order was expected to change. Subjects selected hedonic goods the most, utilitarian goods second, and cash rewards were the last choice. Therefore, stimulating consumers' hedonism and promoting hedonic experiences might be effective marketing tactics and strategies.

Keywords : hedonic consumption, utilitarian consumption, windfall gains, pleasure preference, hedonic experience

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1. Introduction

By nature, people are motivated to enjoy themselves and seek happiness, defined as psychological and physiological subjective well-being. People have considerable control over positive behaviors and cognitions, which account for approximately 40% of the variance in well-being (Zhong and Mitchell, 2010).

Material or tangible factors result from the "hedonic adaptation" effect, in which people rapidly adapt to life circumstances by accepting relatively static and constant features. The "hedonic adaptation" effect is weaker because people's episodic and varied nature directly counteracts adaptation (Sheldon and Lyubomirsky, 2006).

Thematical and conceptual research relevant to hedonic consumption with product symbolism contributed to studies of symbolic consumption and its relation to hedonic experiences. About forty years ago, Hirschman and Holbrook (1982) asserted the importance of hedonic consumption and initially characterized it as, "Hedonic consumption designates those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one's experience with products."

There are two perspectives on consumers' hedonic consumption. First, the goal-based perspective focuses on whether the consumer pursues utilitarian or hedonic objectives (Batra and Ahtola 1991; Pham, 1998). Hedonic consumption is person-driven, viewing products as a means to a pleasurable end. However, this method may suffer from imprecision because many consumer consumption acts are a combination of utilitarian and hedonic motives, and it is difficult to identify their relative strength.

Second, the motivational perspective asks what it means to achieve a hedonic objective. When two men enjoy the same product or service, one may relish the experience fully while the other receives moderate satisfaction. It may be inappropriate to characterize the latter as utilitarian, but neither conforms to a hedonic experience.

Some researchers argue that material purchase may negatively impact happiness because consumers often buy "joyless" material possessions, such as houses and cars, resulting in comfort but not pleasure (Scitovsky, 1976; Easterlin, 2003).

The tangibility that distinguishes material from experiential purchases may be a criterion (Nicolao, 2009). Material purchases are tangible, and experiential purchases are intangible. This dichotomy between experiential and material purchases suggests that consumption can be distinguished along instrumental/cognitive versus emotional/affective lines (Miller and Tesser, 1986a).

Some have characterized value-expressive motives as hedonic and utilitarian (Chandon et al., 2000). A bottle of wine can be a utilitarian good at dinner time or an experiential product at a party. Therefore, Alba and Williams (2013) suggest a lay definition may provide the most broadly encompassing and intuitively appealing approach. They insist that a vital component of hedonic consumption is whether the experience of consuming the product or event is pleasurable.

The sources and determinants of pleasure can be classified into two categorizations (Alba and Williams, 2013): the product or event (and its inherent qualities) and the consumer's personal experience with or interpretation of the product or event. This dichotomy may be a simple and useful

method for researchers and practitioners, but defining pleasure is a profoundly difficult task, as it is different from satisfaction or happiness. This profound topic has been more focused on general life satisfaction and happiness than experience choice or consumption.

The recent growth in consumer research on experiential consumption indicates the popularity and importance of hedonic consumption. Researchers have explored the kinds of experiences people prefer. Still, under unexpected gains or incomes, the investigation is scarce and often ignored by prejudices, meaning that the understanding of consumers' experiential consumption is incomplete. Exploring how consumers process their expectations on unexpected or gains will help determine what may affect their experiential enjoyment.

This paper discusses the trade-off between hedonic and utilitarian consumption and why consumers select experience (hedonic) or material (utilitarian) goods under a windfall gain situation.

2. Theoretical background and preceding research

2-1. Hedonism and hedonic consumption from a conceptual framework

The word "hedonism" comes from the ancient Greek "hedone", which means "pleasure" and is known to have developed in the 4th century.

Aside from its philosophical perspectives, the hedonism concept is also essential in marketing studies. Hirschman and Holbrook (1982) define hedonic consumption as consumers' multisensory images, fantasies,

and emotional arousal in using products termed the "hedonic response."

Traditional economics views products as objects consumers desire to maximize utility, measured as some function of the product's tangible attributes. The hedonic approach is valid and useful for tangible quality goods and utilitarian performance goods, serving as primary determinants of their value to consumers.

Hirschman and Holbrook (1982) seek to augment its focus by acknowledging several sensory channels used by consumers to perceive and experience products.

Consumers respond to multisensory impressions from external stimuli by encoding these sensory inputs and generating internal multisensory images.

2-2. Psychological aspects of pleasure

Consumers find psychologically pleasurable features of products in addition to physiological pleasures, which include the thought, care, or style and even a basic essence of the product (Alba and Williams, 2013). Jordan (2000) suggests four types of product pleasures: physio-pleasure, socio-pleasure, psycho-pleasure, and ideo-pleasure. Additionally, Norman (2004) argues three different levels of processing or understanding of products features: the visceral level is physical product features to the common understanding of aesthetic response; the behavioral level includes function, performance, and usability; the reflective level encompasses meaning and interpretation.

Consumer research primarily focuses on the consequences of hedonic consumption rather than its determinants or precedents. Therefore, Jordan and Norman's classification

may reveal more about hedonic consumption decisions and experience.

Most researchers insist that experiential purchases result in greater happiness than positive material purchases (Carter and Gilovich, 2012; Dunn et al., 2011; Nicolao et al., 2009; Van Boven and Gilovich, 2003). Experiential purchases are typically unique and more personal, making them less susceptible to social comparison than material purchases.

Having and doing can be framed as whether people derive more happiness from experiences or possessions. Van Boven and Gilovich (2003) insist that experience gives more happiness than possessions. However, those possessions remain in consumers' lives, material possessions are static, and pleasure from belongings is subject to relatively rapid adaptation. Still, experiences are intangible, existing only in the consumer's mind and subject to a slower rate of adaptation (Nicolao et al., 2009). A study on the regrets prompted by material and experiential purchases suggest that material purchases are related to regrets of action, which are more likely to be experienced in the short term. In contrast, experiential purchases prompt regrets of inaction, which are more likely to be experienced in the long term (Rosenzweig and Gilovich, 2012).

2-3. The trade-off relation between hedonic consumption and utilitarian consumption

Consumers tend to maximize happiness over utility. Consumer's willingness to indulge represents pampering oneself, yielding to one's wishes, gratification, or desires, because of a weak will or an amiable nature (Kivetz and Simonson, 2002b). Consumers' decisions about pursuing hedonic consumption may be based

on what they expect will be pleasurable (Alba and Williams, 2013), and miscalculation or misforecasting is a common phenomenon. Although misforecasting pleasure is common, it may at times be mitigated by positive events (Finkenauer et al., 2007).

The pleasure difference between the predicted and actual duration of events results in people typically overestimating the persistence of a positive effect (Wilson et al., 2000) and consequently "miswant" that effect to occur (Gilbert and Wilson, 2005). In the traditional view of hedonic consumption, the central question concerns the accuracy with which consumers forecast happiness with their purchase (Wang et al., 2009).

As people consume to transform their lives and bring lasting happiness, understanding the types of purchases those consumers expect will achieve these objectives. Their accuracy is vital to improving consumers' lives (Alba and Williams, 2013).

2-4. On the conflict between the competing strengths of self-control and desire

For decades, the study of consumers' self-control to avoid hedonic consumption has been examined in psychology, economics, and marketing (Ainslie, 1975; Elster, 1979; Lowenstein, 1988; Wertenbroch, 1998; Trope and Fishbach, 2000). The appeal of a hedonic product makes people yield to irresistible temptation.(e.g.,tobacco addiction, alcoholism, and impulsive purchasing)

The outcome of a consumer's impulsive purchasing decision depends considerably on the conflict between the competing strengths of self-control and desire (Hoch ad Lowenstein, 1991).

Much hedonic decision research has examined when consumers are likely to

choose a hedonic option over a utilitarian one, focusing on understanding when people will act on their hedonic (short-term) interests ahead of their utilitarian (long-term) ones. The constructs to hedonism and utilitarianism are the wants and should, conceptualized as vices and virtues, respectively (Bazerman et al., 1998).

Hedonic consumption is direct in that vices (wants or luxuries) by their nature provide pleasure, so that consumers are often drawn to vices at the expense of long-term welfare (e.g., smoking, drinking, or risky intercourse). Kivetz and Simonson (2002a, 2002b) examined welfare-enhancing options and consumers' willingness to depart from their natural frugality and prudence, in effect questioning the assumed virtue of self-control.

Under the justification-based theory, the relative preference for the "shoulds" is intuitive. Even after considering the costs and benefits, there is no superior choice between hedonic and utilitarian goods (Okada, 2005). Consumers may be reluctant to purchase hedonic goods because luxuries are less easily justified, and there is a sense of guilt; its benefits are more difficult to quantify (Okada, 2005), especially in the presence of "wasteful" or "sinful" alternatives. Although it is difficult to identify the actual rational or optimal decision in such subjective contexts, reluctance may lead consumers to engage in consumption behaviors as self-defense, which may not be in their long-term interest (Alba and Williams, 2013).

3. The meaning of windfall gains and hypothesis suggestions

3-1. The definition of windfall gains and related theories

³⁾Windfall gains or windfall profits are sudden or unexpected gains in income, which are unusually high or abundant and transitory. Generally, we think windfall gains are winning a lottery or success in gambling, an unexpected inheritance, or a large gift.

From a traditional economics perspective, Friedman insists that permanent consumption is a constant function of the level of permanent income, and transitory income cannot give rise to transitory consumption, for the two are uncorrelated (the permanent income hypothesis).

However, Bodkin (1959) questioned the permanent income hypothesis, revealing that the marginal propensity to consume (MPC) from windfall income does not appear to be appreciably lower than the MPC from regular income in war veteran's life insurance payments.

Arkes et al. (1994) propose that windfall gains are spent more readily than other types of assets. They suggest that this factor can exert a substantial influence, and they predict that a person's choice behavior depends on the source of the funds. Therefore, the subjective value of windfall dollars would be less than the subjective value of non-windfall dollars, violating the fundamental economic assumption of fungibility: the source of money should make no difference in its consumption (von Neumann and Morgenstern, 1947).

In mental accounting theory, households have separate mental accounts: a future income account, an asset account, and a current income account (Shefrin and Thaler, 1988; Thaler, 1990).

In social psychology, the relationship between attitudes and behavior has been

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investigated as major topic research. The best-known model is the theory of reasoned action (Ajzen and Fishbein, 1977), elaborated in the theory of planned behavior (Ajzen, 1991).

3-2. Hypothesis suggestions on the windfall gains

By the anticipation utility theory, hedonic and utilitarian consumption might differ is in the amount of anticipation utility derived from each (O'Curry and Strahilevitz, 2001). It is expected that hedonic goods are more pleasurable to consume than utilitarian goods and more pleasurable to expect.

People derive pleasure from owning a lottery ticket, even if they do not win, because they enjoy imagining the future possibilities of winning (Loewenstein, 1987). Vanhuele et al. (1996) suggest that consumers buy a product with a promotional sweepstake, not because they understand the odds of winning or the value of the prize, but because they fantasize about the possibility of winning.

People simply anticipated the possibility of winning and enjoyed daydreaming, regardless of the odds. This suggests that not only a chance at the utility of the prize itself, also the utility of anticipation that comes with the mere possibility of winning that attracts persons to lotteries (O'Curry and Strahilevitz, 2001).

And O'Curry and Strahilevitz (2001) insisted that standard expected value calculation cannot capture the total value of a lottery ticket, and a more accurate ticket value would include the enjoyment from the imaging of winning

Additionally, hedonic goods lead to greater anticipation utility than utilitarian goods (Loewenstein, 1987), and low probabilities do

not dilute anticipation utility (Loewenstein, 1987; Vanhuele et al., 1996). Kivetz and Simonson (2002) insisted that consumers are more likely to indulge when rewards are psychologically less concrete or proximal. They tested manipulating the likelihood of winning either cash or a hedonic luxury reward of lesser value and two different levels of winning odds (2% and 0.01%).

O'Curry and Strahilevitz (2001) suggest that lower probabilities of acquisition lead to an increase in preference for hedonic alternatives. They studied those subjects made repeated hypothetical choices between four pairs of goods, each of which comprised one hedonic and one utilitarian alternative of similar monetary value. The probabilities were three cases (100%, 50%, and 0.1%).

Nonetheless, the probability of acquisition does not impact on the preference for the hedonic goods selection, but the main element of preference for the hedonic choice over utilitarian goods is the amount of unexpected or windfall gains; so, the following hypothesis is proposed based on the previous research:

H1: The greater the lottery amount, the more consumers prefer hedonic goods to utilitarian goods regardless of the acquisition probabilities.

The second hypothesis is the relationship between the magnitude of windfall gains and hedonic product ratios. If the hedonic product ratios varied, the number of selections of hedonic product will also change. As such, the following hypothesis is proposed:

H2: The number of selections of windfall gain magnitude will be changed on the hedonic ratios.

Third issue is the effect of temporal variations in the preference for hedonic goods. Consumers often purchase products and services for delayed future consumption.

Generally, these prevailing transactions have locked customers who expect to enjoy future consumption and screens those uncertain about future valuations (Dana, 1998; Gale and Holmes, 1993; Xie and Shugan, 2001). If purchase precedes consumption, people will value the item less than immediate consumption and, all else being equal, prefer goods sooner than later.

However, some people voluntarily wait, preferring to defer their consumption (Frederick et al., 2002; Lowenstein and Prelec, 1993), indicating that the value of waiting for consumption may instead increase with time. Therefore, given a temporal separation between choice and consumption, different streams of research have demonstrated that there may be either a decrease (discounting) or an increase (anticipation). But the conditions that allow either to prevail are unclear (Chan and Mukhopadhyay, 2010).

According to the temporal construal theory (Liberman and Trope, 1998), the construal of distant future events is likely to be more abstract and central to the event's meaning. In contrast, the construal of near-future events is likely to be more concrete and incidental. Distant future situations are construed at a high level (more abstract) than near-future situations; that is, people think about future situations in terms of their general goals and postpone thinking about the more concrete, specific aspects (Trope and Liberman, 2001).

Therefore, consumers are more likely to choose hedonic goods over utilitarian alternatives when the consequence of the decision is less concrete and temporally

distant. In desirability considerations, temporally larger, distant decisions likely emphasize increasing hedonic alternatives in one's life. In contrast, feasibility factors are likely to preserve means (e.g., time, money, and necessities). Consumers tend to wait for preferred rewards when rewards options are psychologically less concrete, the time horizon is long, and the odds of winning are lower. Therefore, the following hypothesis is proposed:

H3: Consumers will prefer hedonic goods to utilitarian goods when the time delay between the decision and the lottery is greater.

The forth issue is the relation between the magnitude of windfall gains and consumers product selection. For example if someone finds ten thousand KRW in the street, he/she may go to a nearby ice cream shop (the proverb "easy come easy go"), However, if the man won one billion KRW in a lottery, this person might seriously consider buying a new apartment or luxury car. So, the size or magnitude of windfall gains makes people choose differently. As such, the following hypotheses are proposed:

H4-1: The preference for utilitarian goods increases along with windfall amount, but it peaks some range and will be decreased later (the graph is an invert-U shape).

H4-2: The preference for hedonic goods will be decreased in company with windfall amount and passes the lowest range and will be increased later (the graph is U shape).

H4-3: The preference for cash rewards will be increased together the windfall amount.

So, the graph of preference for goods will have following shapes.

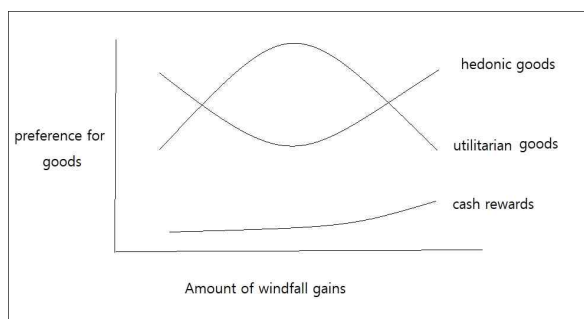


Fig. 1 Preference for goods

And next issue is consumers' willing to accept in the windfall gains and the discounted lottery prize.

Consumers' preference order changes if they receive a lottery prize as hedonic or utilitarian goods and discounted cash when the discounting rates vary. In general, consumers prefer cash more than hedonic or utilitarian goods. In the context of windfall gains, such as lottery prizes, unexpected bonuses, or gifts, acquiring hedonic goods may lead to less guilt over the frivolity of the acquisition than from spending hard-earned income on the same hedonic goods (O'curry and Strahilevitz, 2001). In cases where cash is given as a gift, the preference order changes on the discounted rate since cash has more power than hedonic or utilitarian goods. Therefore, following hypothesis is suggested;

H5: Consumers' preference order will vary on the discounting rate.

4. Experiments on the hypothesis

The first hypothesis is:

H1: The greater the lottery amount, the more consumers prefer hedonic goods to

utilitarian goods regardless of the acquisition probabilities.

Method: this experiment applied the O'Curry and Strahilevitz' method (2001).

Twenty-eight INU (Incheon National University) business administration undergraduate students (male=12, female=16, mean age=22.75) voluntarily participated in pilot test 1. The subjects were assigned to one of three groups: Group 1, birthdays ending in 1 to 3; Group 2, birthdays ending in 4 to 6; Group 3, all others. Each condition varied the probability of receiving the preferred outcome, and each condition was different in monetary value (50 thousand KRW, 200 thousand KRW, and 5 million KRW); the probabilities were 50% and 1%.

Subjects made hypothetical choices between three pairs of goods, each comprised one hedonic and one utilitarian alternative of same monetary value. In each condition, subjects answered the question as if their choice did not affect their chances of winning. The differences were explained between the hedonic and utilitarian products, represented by pairs of goods.

The pairs of goods were (H: hedonic, U: utilitarian goods):

- (1) Two tickets to any local concert (H) or gift certificate (U) of 50,000 KRW
- (2) A dinner-for-two certificate at a leading gourmet restaurant (H) or big mart gift card (U) of 200,000 KRW
- (3) One-week Europe travel ticket (H) or university tuition fee (U) of 5 million KRW

Respondents evaluate their likelihood of engaging in each activity of risk behaviors on a five-point rating scale ranging from 1 (extremely unlikely) to 5 (extremely likely). There were no significant risk attitude differences in response to the different item pairs (average=2.35, SD=1.29); the analysis

presented here is based on pooled data.

Results:

The respondents revealed that they preferred hedonic to utilitarian products when the lottery winnings increased, and the probability was not discriminating. Ironically, even with discounted cash rewards, preferences for the hedonic product were higher than utilitarian goods. The results are shown in Figure 2 - 3.

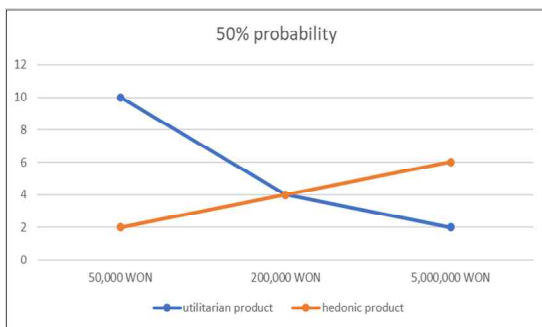


Fig. 2 50% probability, the number of subjects

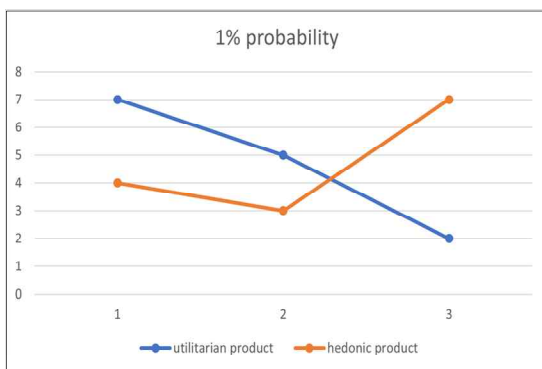


Fig. 3 1% probability, the number of subjects

Pilot test 2 aims to verify whether the hedonic product ratios will change the number of selections of a windfall gain magnitude. As such, the following hypothesis is proposed:

H2: The number of selections of windfall gain magnitude will be changed on the hedonic product ratios.

There were five prize amounts: less than 100,000 KRW; 100,000 to less than 500,000 KRW; 500,000 to less than one million KRW; one million to less than five million KRW; more than five million KRW. The hedonic product ratio included three intervals: less than 50%; 50% to less than 90%; more than 90%. Respondents selected one ratio for each case. This test was a kind of random block design ANOVA, and the results are shown in the following table.

Table 1 The magnitude of windfall gains and hedonic goods ratio

Dependent variable: number of selections					
Source	3 rd type sum of squares	DF	Mean square	F	Significance probability
Modified model	973.467 ^a	6	162.244	62.004	.000
slice	1881.60	1	1881.600	719.083	.000
Windfall gain	209.067	4	52.267	19.975	.000
Hedonic ratio	764.400	2	382.200	146.064	.000
error	20.933	8	2.617		
total	2876.00	15			
Modified total	994.400	14			

a. R square = .979 (modified R square = .963)

<between object effect test>

The above table shows that the hedonic ratio changes the number of selections. The result is F-value = 146.064, p-value = .000,

showing that the three hedonic ratios are significant in the number of selections.

Pilot test 3 examines whether increasing the amount of windfall gain leads to a stronger preference for hedonic goods than utilitarian goods and the probability of having influence.

Method:

A total of 36 adult persons voluntarily participated in this study (18 male and 18 female, mean age=52) participants. The subjects were assigned to one of three groups like student case and each condition was different in monetary value (100 thousand KRW, 1 million KRW, 10 million KRW), and the probabilities were 50% and 1%. Subjects made hypothetical choices between three pairs of goods, each comprised one hedonic and one utilitarian alternative of similar monetary value. Other conditions were the same in the above student's case except monetary value.

The difference between hedonic products and utilitarian products was explained in each pair of goods.

The pairs of goods were (H: hedonic, U: utilitarian goods):

- (1) Two tickets to any local concert (H) or gift certificate (U) of 100,000 KRW
- (2) A dinner-for-two certificate at a leading gourmet restaurant (H) or big mart gift card (U) of 1 million KRW
- (3) One-week Europe travel ticket (H) or university tuition fee (U) of 10 million KRW

Results:

In the 50% probability condition, most respondents selected utilitarian goods two or three times more than hedonic goods. and they opted for actual profits. In the 1% probability condition, respondents' ratios between 100 thousand KRW and one million

KRW were similar; in the 10 million KRW range, they preferred hedonic goods five times more than utilitarian goods. The greater the lottery amount, the more the consumers preferred hedonic goods, which is particularly relevant to understanding how the probability of acquisition might affect preferences. Fig. 4, 5 shows that the windfall probability is not a critical element on the preference for the hedonic goods selection.

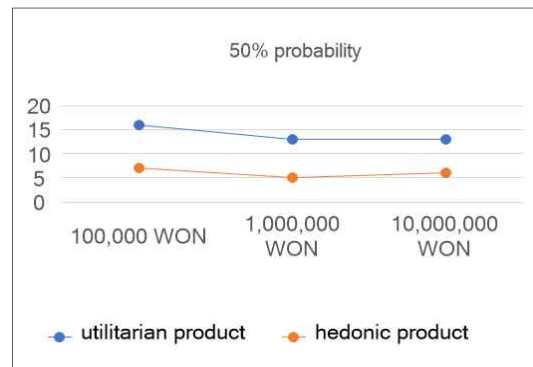


Fig. 4 50% probability, the number of subjects

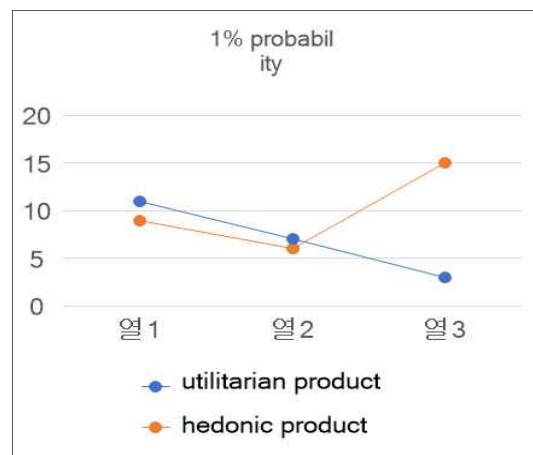


Fig. 5 1% probability, the number of subjects

The third hypothesis is related to the effect of temporal variations in the preference for hedonic goods. This hypothesis is:

H3: Consumers will prefer hedonic goods to utilitarian goods when the time delay between the decision and the lottery is greater.

Method:

When 36 general adult respondents receive three different lottery prize amounts (500 thousand KRW, one million KRW, or 10 million KRW), they choose from the following goods:

- (1) A big mart (department store) gift card or mobile certificate
- (2) A dining certificate, health membership card, skin therapy gift card, or a massage
- (3) A 10% discounted cash reward one month later in 500 thousand KRW and one million KRW, and 20% discounted cash reward two months later in 10 million KRW. The above three choice alternatives are the same values, and other conditions are the same as Experiment 1.

Results:

The respondents preferred utilitarian or hedonic goods to discounted cash. They also preferred hedonic goods to utilitarian goods in all three cases. The discounted cash was the most vulnerable selection, and consumers appeared to follow the proverb, "A bird in the hand is worth two in the bush." In this test, the time was only one month; if the time horizon were longer, the effect of time would be more influenced.

The fourth experiment is the relationship between the magnitude of windfall gains and consumers product selection. The preference for hedonic or utilitarian goods will vary with the windfall amount. The fourth experiment was as follows:

Method: 36 adult respondents will receive three different lottery prizes (500 thousand

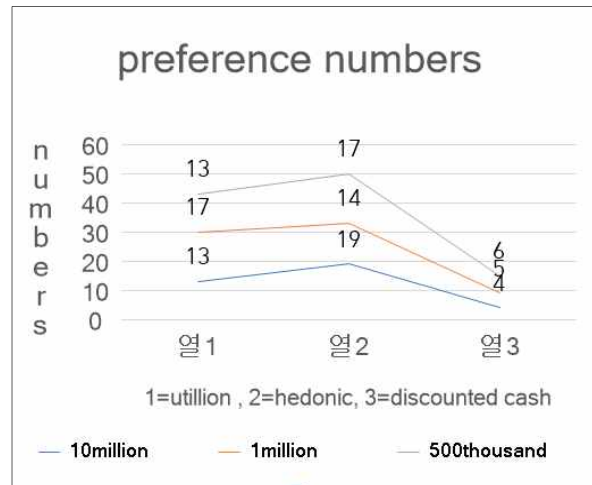


Fig. 6 Preference numbers #6

KRW, one million KRW, and 10 million KRW) and 5%. One month later, they can choose one of the following goods:

- (1) A big mart (department store) gift card or mobile certificate,
- (2) A dining certificate, health membership card, skin therapy gift card, or a massage
- (3) A discounted cash rewards

The above three choice alternatives are the same values, and other conditions are the same as Experiment 1.

Results:

The 36 respondents revealed the preference order; when the windfall amounts were 500,000 KRW, the hedonic preference was bigger than utilitarian, but in the one million KRW, the graph is inverted; the graph realigns with 10 million KRW, and the 10% discounted cash reward increases with the windfall magnitudes.

Thus, the three hypotheses were supported. These results are shown in Fig. 7

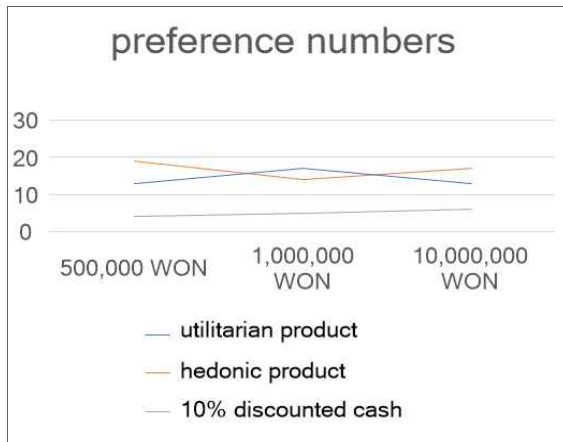


Fig. 7 Preference numbers #7

The fifth experiment is on the consumers' willingness to accept (WTA) in the windfall gains and the relationship of the discounted lottery prize. This hypothesized as follows:

H5: Consumers' preference order will vary on the discounting rates

Method:

Experiment 5-1: When responding students (total 28) receive a 100 thousand KRW lottery prize immediately or in one month, they decide the order of the following goods or 5% discounted cash:

(1) A big mart (department store) gift card or mobile certificate

(2) A dining certificate, health membership card, skin therapy gift card, or a massage

(3) 95 thousand KRW cash (5% discounted)

Results: The number of hedonic goods selections was ten, utilitarian goods selection was fourteen, and discounted cash rewards was four.

Experiment 5-2: If the lottery prize was 1 million KRW, the participants decided the order of the following goods or 10% discounted cash in two months:

(1) A big mart (department store) gift card or mobile certificate

(2) A dining certificate, health membership card, skin therapy gift card, or a massage

(3) 900 thousand KRW cash (10% discounted)

Results:

These two experiment results were not discriminatory because the lottery prize amounts were not different for the students. The preference order was not discriminated in the hedonic goods, utilitarian goods, and discounted cash rewards. However, the preference for hedonic goods decreased in some ranges and increased later; when the amount increased, the preference for hedonic goods also increased; utilitarian goods went in the opposite direction. The result graphs are shown in Figure 8.

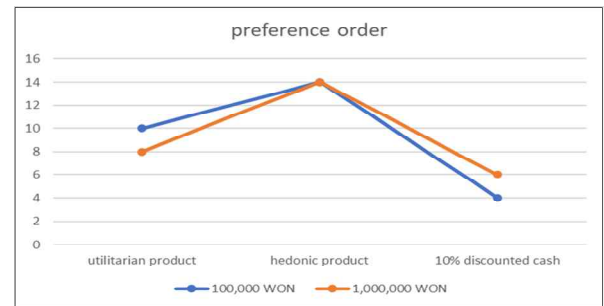


Fig. 8 numbers of Preference order

6. Conclusion

6-1. General discussion

The goal of this study was to understand the human mind. Consumers' happiness and the pleasure that experience provides are very important and eminently worthy of careful study. Nonetheless, consumer researchers have only recently recognized the importance

of enjoyment, pleasure, and happiness and consumption's role in obtaining them.

About forty years ago, Hirschman and Holbrook (1982)'s notable foresight contributed to broad recognition of the importance of the hedonic aspects of consumption.

Since hedonic consumption is pleasure, a windfall gain is the most pleasurable experience in daily mundane affairs. This study first explored the effect of windfall gains with various experiments, following preceding research and practically employing the results.

In study 1, respondents preferred hedonic to utilitarian products when the lotteries increased, and the probability did not discriminate between the two products. Even with a discounted cash reward, preference for the hedonic product was higher than utilitarian goods and discounted cash collection.

Second, The preference order was not discriminated in the hedonic goods, utilitarian goods, and discounted cash rewards. Still, the preference for hedonic goods decreased in some range but increased later (the preference for hedonic goods increased with the lottery amount); the preference for utilitarian goods went in the opposite direction. The results are displayed in Figures 5 through 7.

Study 3 hypothesized that the preference for utilitarian goods would increase in some range but decrease later (the inverted-U shape). The preference for hedonic goods would decrease first and increase later (the U shape).

In Study 4, when the discounting rates varied, the consumers' preference order was expected to change if they received a lottery prize as hedonic or utilitarian goods and discounted cash. These tests were divided into three different prize amounts: 500

thousand KRW, 1 million KRW, and 10 million KRW.

In the student pilot test (n=28), hedonic goods were selected the most, utilitarian goods were second, and cash reward was the last choice.

6-2. Practical marketing implications

This research has some important practical implications (Kivetz and Simonson, 2002)

First, some consumers feel that they insufficiently indulge and employ precommitment as a self-control mechanism suggest that marketers can strategically construct market institutions that address this need and charge a premium for doing so. For example, marketers of luxury or leisure related products or services can promote precommitment devices that operate as 'nonconvertible futures' in which the consumer pays at $t=0$ for the guaranteed and free indulgence at $t=1$.

Second, marketers can appeal the desire for indulgence in their advertising. For example, a cruise liner or air travel operator may urge consumers to "stop postpone your dream cruise/air travel till next year".

Third, marketers can urge consumers to help others (friends, families, or disadvantaged neighbors) have more fun and get over their frugality, using gift giving as a means of promoting indulgence. There has been a trend or shift in Christmas gifts from practical goods to more hedonic presents.

Fourth, there is a design of salesman or other employ-incentive programs. Luxury awards are more effective than cash in inducing participation. Companies may be able to attract and retain talent by offering hedonic luxury prizes rather than cash bonuses of equal or greater monetary value

(Tahler, 1999; Frank, 1999).

6-3. Limitations and discussion for future research

First, the experiment's results might be insufficient. The credibility and validity of risk attitudes on consumers' risky actions may be insufficient. The sample question items were selected for convenience, and this process should be objectively observed and collected.

Second, selecting the preference order is lower than ratio scales, so this scaling cannot show more information than the ratio scales. However, ordinal scales are convenient for the respondents, and the response ratios are increased.

Third, sample amounts are not as sufficient as initially intended. The recruitment of sampling students was challenging, given vacant university campuses and social distance policies.

6-3-1. Discussion for future research

Consumer hedonic selection and happiness are related. This idea is intuitive; it is a common-sense approach to a problem and may be unscientific. However, there is no consistent approach to the problem, only a need for an informed method.

The cause-and-effect relationship between hedonic selection and happiness has been explored recently, but there is little research on the problem.

The consumer research field might expand the scope of work beyond the traditional focus on purchasing consumer goods to embrace various social problems related to consumers. Since Hirschman and Holbrook (1982) emphasized hedonic consumption, many consumer researchers have also begun to

understand how consumers enjoy past hedonic consumption, and how they make predictions about their future enjoyment of products and experiences, with the hope that they can be encouraged to make choices that will make them happier in the future. The examination of the processes by which consumers perceive and experience pursuits will remain vitally important topics. It is reasonable to suggest that the next many years of hedonic consumption research could be more fruitful on the exploring consumers life's meaningful and memorable pleasures.

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APPENDIX

Written questionnaires on the risk attitude for the students; For each of following statements, please indicate the likelihood of engaging in each activity. Provide a rating from 1 to 5, using the following scale (1; extremely unlikely, 2~4; not sure, 5; extremely likely)

- 1) Admitting that your tastes are different from those of your friends (s)
- 2) Cheating on an exam (e)
- 3) Eating 'expired' food products that still 'look okay' (h)
- 4) Exploring an unknown city or section of town (r)
- 5) Lending a friend an amount of money equivalent to one month's income (f)
- 6) Disagreeing with your father on a major issue (s)
- 7) Illegally copying a piece of software (e)
- 8) Ignoring some persistent physical pain by not going to the doctor (h)
- 9) Engaging in some dangerous sports looks like bungee jumping, rafting, skiing (r)
- 10) Spending money impulsively without thinking about the consequences (f)

Note: e=ethical, f=financial, h=health/safety, r=recreational, and s=social items.



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