Mental Accounting in Consumer Decision Making (Accountants and Non-Accountants) Related to Discount Coupons

by Shanti Shanti

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"Money earned through gifts without efforts will be spent more quickly than the money resulted from efforts or works (easy come, easy go)." Human behavior related to money cannot be separated from mental accounting contained inside that person. Mental accounting frequently makes the human behavior become irrational and incompatible with the existing economic theory such as expected utility theory and fungible theory. Mental accounting is the human way of thinking, assumed that in the human brain there are barriers that would separate the events related to the money into the accounts of income, spending, and saving. The way of thinking in this decision making is certainly influenced also by background knowledge and life-story obtained by humans during their lifetime. Accountant knowledge about accounting is surely different from persons who have never known or studied accounting at all (non-accountants). This study aims to observe the mental accounting of consumers, particularly the mental accounting between consumers with accounting educational background (accountants) and non-accounting educational background (non-accountants), which affects the behavior of decision making under conditions that there are discount coupons in online shops. This was a survey quantitative research with the samples of online shop customers redeeming the discount coupons by random sampling based on Computerized Grocery-Shopping Simulation. The test results using Linear Regression Test and Different Test in SPSS 21 state that the accounting education should revolutionize and renovate the accounting mental of accountants, so it can be more helpful in rational decision making than the non-accountants.

Keywords: Accountants; Mental Accounting; Non-Accountants

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Affiliations: Faculty of Business, Widya Mandala Catholic University, Surabaya 60265, Indonesia

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Mental Accounting in Consumer Decision Making (Accountants and Non-Accountants) Related to Discount Coupons

Shanti[1*]

[1]Faculty of Business, Widya Mandala Catholic University, Surabaya 60265, Indonesia
[1]Student of Doctoral Program, Airlangga University, Surabaya 60286, Indonesia

"Money earned through gifts without efforts will be spent more quickly than the money resulted from efforts or works (easy come, easy go)". Human behavior related to money cannot be separated from mental accounting contained inside that person. Mental accounting frequently makes the human behavior become irrational and incompatible with the existing economic theory such as expected utility theory and fungible theory. Mental accounting is the human way of thinking, assumed that in the human brain there are barriers that would separate the events related to the money into the accounts of income, spending, and saving. The way of thinking in this decision making is certainly influenced also by background knowledge and life-story obtained by humans during their lifetime. Accountant knowledge about accounting is surely different from persons who have never known or studied accounting at all (non-accountants). This study aims to observe the mental accounting of consumers, particularly the mental accounting between consumers with accounting educational background (accountants) and non-accounting educational background (non-accountants), which affects the behavior of decision making under conditions that there are discount coupons in online shops. This was a survey quantitative research with the samples of online shop customers redeeming the discount coupons by random sampling based on Computerized Grocery-Shopping Simulation. The test results using Linear Regression Test and Different Test in SPSS 21 state that the accounting education should revolutionize and renovate the accounting mental of accountants, so it can be more helpful in rational decision making than the non-accountants.

Keywords: Mental Accounting, Accountants, Non-Accountants.

1. INTRODUCTION

In decision-making, especially related to finance, an individual tends to have mental accounting, that is an individual likely to pay attention to the benefit compared to the cost (Thaler, 1980, 1985; Prelec and Loewenstein, 1998). An individual will tend to be cautious in making decisions, particularly those related to loss situation, making an individual tend to behave conservatism (Thaler, 1980). An individual will classify his or her finance income and expenditure into certain accounts as in accounting, for example, regular income versus non-regular income/bonus/reward (Arkes, Joyner, and Pezzo, 1994), expenditure for basic needs versus tertiary needs (Milkman and Beshears, 2009), in which the regular income earned from hard work tends to be spent carefully, while non-regular income earned from bonuses/gift tends to be spent faster (Christiaensen and Pan, 2010). Mental accounting can creates Expected Utility Theory, stating that in the decision-making, especially for shopping, people will consider based on the expected utility of these decisions, without considering where the money comes from, which becomes irrelevant or not in accordance with existing practices.

In the decision-making process involving two or more selections, an individual will tend to select based on his or her knowledge and life-story. Various decisions made naturally contain elements of skill. The modern

*Email Address: shanti@ukwms.ac.id

conception of the skill component includes control (Goodie, 2003) and competence (Heath and Tversky, 1991). Goodie and Young (2007) state that the skill component in task (task sensitivity on skills) influences decision making, that is the decision-making influenced only if the decision makers have the skills (control and competence). Therefore, an individual with a background in accounting education and competence may make a different decision with an individual who does not have the accounting competence at all (Goodie and Young, 2007). Fennema and Perkins (2008) studying the effect of relevant academic training, financial experience, and decision justification on investment decision involving sunk costs show that Certified Public Accountants (CPAs), graduate students of Masters of Business Administration (MBAs), and students graduated from accounting make decisions better than students graduated from psychology. Therefore, accountants and prospective accountants can be more mentally accounting compared to non-accountants (Fennema and Perkins, 2008). They concern about profit versus loss more (Thaler, 1980, 1985; Prelec and Loewenstein, 1998), more conservative in situations that can result in a loss (Thaler, 1980), accustomed to classify the finance income and expenditure into certain accounts (Arkes, et al., 1994; Milkman and Beshears, 2009), accustomed to create budget and financial statements (Fennema and Perkins, 2008; Baffi, 2012), and others, therefore, decision-making, especially related to finance could be different between accountants and non-accountants.

Decision-makings, especially related to finance, particularly for shopping, moreover those with discount offer that looks profitable, make some individuals have bounded rationality. Hardisty, Appelt, and Weber (2013) show that the effect of the amount of discount rate is in the opposite direction to the profit and loss, meaning that whether the discount is good or bad, people still want them at that moment. Consumer behavior often irrational to discount cannot be separated from mental accounting existing within individuals (Soman and Cheema, 2001; Fennema and Perkins, 2008). The more and bigger the discounts offered, the more the people spend more money will be, especially if the discount is obtained without an effort (Milkman and Beshears, 2009; Arkes, et al., 1994; Bonini and Rumiati, 1996; Ha, Hyun, and Pae, 2006). Previous studies support the evidence that discount effects the amount of money spent by consumers, especially for discounts obtained directly without an effort.

This opportunity of consumptive consumer behavior is important for employers as producers existing in increasing competition in the business world that has been growing without limits of space and time. Strategic steps need to be taken by employers, that is how to keep consumers or customers satisfied and make repeat purchases with a greater quantity than previously. Brosekhan and Velayutham (2014) state that consumer is the king, without whom there is no business organization that can run. All business activities should be directed to consumers and for their satisfaction. Therefore, there should be ways to satisfy consumers and attract them to buy. One of the way is through the promotion of sales, in which one of them is through discount, that can consistently improve consumer buying interest (Lexchin and Mintzes, 2002).

Research related to how mental accounting plays role in consumer decision-making for discount is unique and interesting to study. Similarly, as companies that have accounting system in their organization, individuals also have the mental account system inside themselves. Google Scholar search results related to mental accounting research in consumer decision-making dealing with discount show the results of 13 with 9 results showing high relationship. Chen, Monroe, and Lou (1998) studying the implementation of different price promotions can influence perceptions and interest of buying from consumers find that the sale of discount coupons more favorable/preferable and more effective in changing consumers buying interest.

The current study is to complement and add previous studies. The research problems in this study are, namely: (1) Effect of discount coupons on the amounts of money spent by consumers, viewed from the perspective of mental accounting, (2) Effect of discount coupons obtained directly from purchases compared to discount coupons obtained through purchases with certain number on the amount of money spent by consumers, viewed from the perspective of mental accounting, and (3) Difference of mental accounting in decision making related to discount coupons between accounting individuals (accountants and prospective accountants) and non-accounting individuals (non-accountants). The objective of this study is to investigate the consumer mental accounting, especially the mental accounting between consumers with accounting educational background (accountants and prospective accountants) and non-accounting (non-accountants), affecting the behavior of decision making under condition that there is discount coupons. The research problem is "Does mental accounting in consumer decision-making change due to discount coupons? The specific problems are: (1) Do discount coupons affect the amounts of money spent by consumers? (2) Do the discount coupons obtained directly provide more effects on the amounts of money spent by consumers than discount coupons obtained through the purchase with certain amount? (3) Is there a difference of mental accounting in consumer decision making related to discount coupons between accounting individuals (accountants and prospective accountants) and non-accounting individuals (non-accountants)? The contributions of this research are expected to lead to awareness for the government, producers, and consumers about the existence of mental accounting in the decision-making process related to finance, particularly related to shopping activity when there is a discount, and for the world of accounting education in order to revolutionize and renovate mental accounting contained within each individual, as well as for micro-economic theory that often becomes irrelevant because of the existence of this mental accounting.

This paper is organized as follows. In section 2, literature review and development hypotheses are given. In section 3, research methods are presented. Results and discussions are presented in section 4. Finally, ourwork of this paper is summarized in the last section.

2. LITERATURE REVIEW AND DEVELOPMENT HYPOTHESIS

Research conducted by Arkes, et al. (1994) show that windfalls gains (profits or funds obtained through gift, unanticipated or unforeseen) are spent more quickly than non-windfalls gains (money properly obtained through work). Bonini and Rumiati research (1996) shows that most people like discounts when shopping because discount can make the items included in the shopping list as if obtained free of charge. Research conducted by Ha, et al. (2006) show that the recipients of unexpected discounts tend to spend the savings of discounts received in shops providing the discounts, consumers will choose the products with more expensive discounted price than the original plan, and consumers will also actively plan the purchases when the discounts are known in advance. Milkman and Beshears research (2009) show that use of $ 10 discount coupon can increase the online wholesale purchase as much as $ 1.59 and this purchase increases specifically for items rarely purchased by consumers.

Based on the previous studies above, the development research hypotheses are:

1. Milkman and Beshears research (2009) show that use of $ 10 discount coupon can increase the online wholesale purchase as much as $ 1.59, therefore:
   H1: Discount coupons affect the amounts of money spent by consumers.
2. Arkes, et al. (1994) show that windfalls gains (profits or funds obtained through gift, unanticipated or unforeseen) are spent more quickly than non-windfalls gains (money properly obtained through work), therefore:
   H2: Discount coupons obtained directly provide more effects on the amounts of money spent by consumers than discount coupons obtained through the purchase in certain amount.
3. Bonini and Rumiati research (1996) shows that most people like discounts when shopping because discount can make the items included in the shopping list as if obtained free of charge. Research conducted by Ha, et al. (2006) show that the recipients of unexpected discounts tend to spend the savings of discounts received in shops providing the discounts, consumers will choose the products with more expensive discounted price than the original plan, and consumers will also actively plan the purchases when the discounts are known in advance, therefore:

H3: Mental accounting in decision making related to discount coupons between accounting individuals (accountants and prospective accountants) and non-accounting individuals (non-accountants) is different.

3. RESEARCH METHODS

This was simulation survey quantitative research with the samples of online shop customers, either those redeeming or not redeeming the discount coupon, by random sampling, based on Computerized Grocery-Shopping Simulation (Meyer, Janakiraman, and Morales, 2002). This research was conducted with the procedure: (1) Sending a website link (www.excited-stores.blog-spot.com) to respondents who agree along with the application for a willingness to participate in the simulation survey and instruction needs to be performed, (2) Respondents who are willing to participate then fill the Discount Form located on the right of the website to get automated email reply stating that the respondents have got a discount of 100,000, that is valid for 48 hours, (3) Respondents who want to get a discount can immediately fill the Order Form of which the link is given along with the automated email reply stating that the respondents have got a discount of 100,000 above, that is valid for 48 hours, (4) The Discount Form and Order Form will be automatically recorded in Google Docs, (5) The amount of money spent by consumers, discount coupons used, and accountants and non-accountants data can be directly processed for further analyzing. Based on the simulation survey, there was 112 respondents from 150 participation requests (response rate 74,67%), participated by using the discount coupon to spend more, which 58 respondents were accountants and 54 respondents are non-accountants. From 112 respondents, there was 98 respondents (response rate 87.5%) prefer a discount given directly (free of charge) even though the amount of the discount given less than the discount granted through the purchase of a certain amount.

Previous studies support the evidence that discount effects the amount of money spent by consumers, the more and bigger the discounts offered, the more the people spend more money will be, especially if the discount is obtained without an effort (Milkman and Beshears, 2009; Arkes, et al., 1994; Bonini and Rumiati, 1996; Ha, Hyun, and Pae, 2006). Consumer behavior often irrational to discount cannot be separated from mental accounting existing within individuals (Soman and Cheema, 2001; Fennema and Perkins, 2008). This research used the dependent variables: Spending, it was the amounts of money spent by consumers within a certain period of time, and the independent variables were in the form of dummy variables: Coupon_Used, it was the discount used by consumers and Coupon_More_Used, it was the discount more widely used by consumers. Therefore, this research model was as follows:

H1: $Spending_{it} = \alpha_i + \Upsilon\ Coupon\_Used_{it} + \varepsilon_{it}$,
where: Spending it = the amounts of money spent by consumer i for order t or log of one plus the amounts of money spent by consumer i for order t, Coupon_Used it = dummy variable equal to 1 at the time of order including coupon redemption, and having the value 0 when the order does not include coupons redemption (Milkman and Beshears, 2009).

H2: $Spending_{it} = \alpha_i + \Upsilon\ Coupon\_More\_Used_{it} + \varepsilon_{it}$,
where: Spending it = the amounts of money spent by consumer i for order t or log of one plus the amounts of money spent by consumer i for order t, Coupon_More_Used it = dummy variable with the value 1 at the time of order, including coupon redemption obtained directly, and the value 0 at the time of order including the coupon redemption obtained through the purchase in certain amount.

H3: MA accountan $\neq$ MA non-accountant,
where: MA = average amounts of money spent by consumer i for order t. This research used data analysis in the form of Linear Regression Test and Different Test by using SPSS 21.

4. RESULTS AND DISCUSSION

After performing statistical tests (Table 1 and Table 2), the research findings and discussion of this research are: (1) Hypothesis 1 of this research is accepted (fail to be rejected). Based on the results of Linear Regression test, it is obtained F count value of 147.396 with a significance of 0.000, so it can be concluded that the discount coupon affects the amounts of money spent by consumers. The results of this study are consistent with the results of research conducted by Milkman and Besheats (2009) stating that the use of $10 discount coupon can increase the online wholesale purchase as much as $ 1.59, (2) Hypothesis 2 of this research is received (fail to be rejected). Based on the results of Linear Regression test, it is obtained F count value of 191.971 with a significance of 0.000, so it can be concluded that the discount coupons obtained directly provide more effects on the amounts of money spent by consumers than discount coupons obtained through the purchase in certain amount. The results of this research are consistent with the results of research conducted by Arkes, et al. (1994) stating that the windfall gains obtained through gift is spent faster than the money righteously obtained through work, (3) Hypothesis 3 of this research is rejected. Based on the results of Independent-Samples t Test, it is obtained F count of levene test equal to 0.002 with a significance of 0.965 and the t value at equal variance assumed is 0.904 with a significance of 0.368, so it can be concluded that the average amounts of money spent does not differ significantly between accountant and non-accountant consumers. Therefore, mental accounting in decision making related to discount coupons between accounting individuals (accountants and prospective accountant) and non-accounting individuals (non-accountants) is not different (same). The results of this study are inconsistent with Goodie and Young (2007) stating that the decision making is influenced by skill (control and competence) of the decision makers. The results of this study indicate that each individual has a mental accounting in him or herself, even though this individual does not have accounting educational background and competence or do not learn accounting in particular. The results of this research are consistent with the research conducted by Hardisty, et al. (2013) stating that the individual decision-maker, especially related to finance, particularly for shopping, moreover with the discount offer that looks favorable, is bounded rationality. Whether the discount is good or bad, people still want it at that moment without paying attention to the benefit compared to the cost (Thaler, 1980, 1985; Prelec and Loewenstein, 1998). Individuals do not tend to be cautious in making decisions, particularly those related to the loss situation when there is a discount, meaning that individuals do not tend to behave conservatism when there is a discount (Thaler, 1980). Individuals also would not classify their finance income and expenditure into posts or certain accounts as in accounting when there is a discount, both for regular income and non-regular income/bonuses/gifts, will be spent when there is a discount (Arkes et al., 1994; Milkman and Beshears, 2009), while the non-regular income obtained from bonuses/gifts like discount will indeed tend to be spent faster than the regular income obtained from the work (Christiaensen and Pan, 2010).

Table.1. Statistical Test Result: Linier Regression Hypothesis 1 and Hypothesis 2.

TEST RESULTS	ADJUSTED R^2	F-COUNT VALUE	p-VALUE * (95% CI)
Hypothesis 1	0.569	147.396	0.000
Hypothesis 2	0.665	191.971	0.000

*95% Confidence Interval (α = 5%).

Table.2. Statistical Test Result: Independent-Samples t Test Hypothesis 3.

TEST RESULT	MEAN	STAN-DARD DEVI-ASI	F-COUNT VALUE	p-VALUE * (95% CI)
1 = Accountant	5.5141	0.38309	0.002	0.965
2 = Non-Accountant	5.4504	0.36089		

*95% Confidence Interval (α = 5%).

5. CONCLUSIONS

This research has limitations due to its simulation survey method used although it has been closer to reality than the survey method, but when applied using real money in shopping, there is a possibility that the results will be different. Further research can use real online shop in observing the consumer mental accounting. The implication of this research is that the mental accounting is very useful for manufacturers in making effective discounts to increase sales, because discount effects the amount of money spent by consumers, which is the more and bigger the discounts offered, the more the people spend more money will be, especially if the discount is obtained directly without an effort (for example, discount obtained through the purchase in certain amount), and for consumers to use their mental accounting when receiving a discount, which is each individual has a mental accounting in him or herself, even though this individual does not have accounting educational background and competence or do not learn accounting in particular, so that there are no excessive unplanned purchases because there is no need for these items.

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