



## Patterns in Spending Money: New Products vs New Experiences

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**ABSTRACT**

This study examines spending patterns of people, specifically in terms of choosing between products and experiences. The study is based in Mumbai city where people were asked to fill a questionnaire. A lot of studies have been done on this however there is little research available on how people actually spend versus what they want to spend. Participants were found to be spending more on material goods, more than 50%, however when faced with ideal situations, the statistics were reversed and more people opted for experiential products. The reasons for these have been found to be monetary and time value based.

**KEYWORDS**

[products, experiences, desire, actual vs. ideal]

**INTRODUCTION**

Monetary capital is the most valued and necessary aspect for an individual in today's capitalist culture. With the rise of consumerism, how this capital is spent is influenced by an intersection of a large number of factors. Money spending patterns reveal and provide a significant amount of information about society and its structures. As such behavioral economics, as defined by Oxford Dictionary, is a method of economic analysis that applies psychological insights into human behavior to explain economic decision-making, and is a very important field, just by the virtue of all of us being active subjects implicated in these analyses.

Money spending patterns have been researched and analyzed over and over again by many stakeholders; businesses as marketing research, sociologists for theory base etc. One universal adage is that we all are driven to consume what we find satisfying. Most of the researches on this matter seem to agree on one thing, that experiences trump products. These are all indicative of moving away from material desires towards, debatably, more satisfying experience consumption. Desire for materialistic pleasure as consumers was at an all-time high during the period following industrial revolution and the massive boom in the number of new products, not just necessities, for the people. However it has moved towards an experience fueled economy now, especially for millennials (people born after 1980s) and Gen Z (people born in 2000s till now). The reasons for this are several fold. In a study, more than 70% people said their fondest memories are from experiences they've had and 69% say these experiences made them feel more closer and connected to their communities and the world at large (Friedlander, 2015). The number of people enjoying experiences is also greater in this generation, a jump from 70% to 80% (Friedlander, 2015).

However these statistics are all from an American point of view. There hasn't been a lot of research on Indian specific results of this phenomenon, mostly due to the fact that as a developing country we are more focused on building up our material assets. This will also explain the reasons for differences in people's biases and perceptions, what they are actually spending on versus what they want to spend on. This study will attempt to understand the spending patterns in a developing country and as such offer an insight into the minds of consumers and societal responses at large.

**RESEARCH METHODOLOGY**

A structured questionnaire was prepared consisting of 16 questions. Usable responses were obtained from 52 respondents with ages ranging from 18 to 60 years. This kind of a wide age spectrum also helped to estimate differences between choices of different generations to check the hypothesis.

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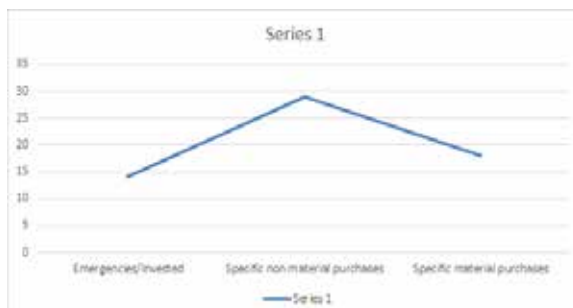
Out of these 30 were male and 22 were female. All of the respondents had ages ranging from less than eighteen to greater than fifty. The income status of the respondents ranged from being dependent to earning greater than Rs 10 lakhs per annum. All respondents also came from families belong to A1/A2/B1 SEC strata.

**limitations OF THE STUDY**

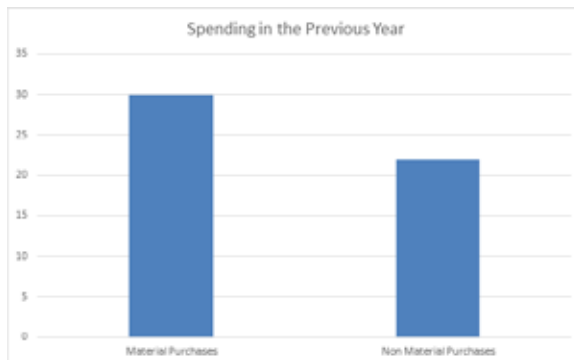
*The sample size is too small to accurately gauge results on behalf of the whole population. The survey does not accurately represent all socio economic groups and other social groups. The results are based on disclosed information not actual information and are roughly a representation of actual choices.*

**DATA ANALYSIS AND Inferences**

A clear majority i. e 86.1% of the respondents said they used their funds in a mixture of spending and saving. When asked the motives for saving, the following responses were noted:

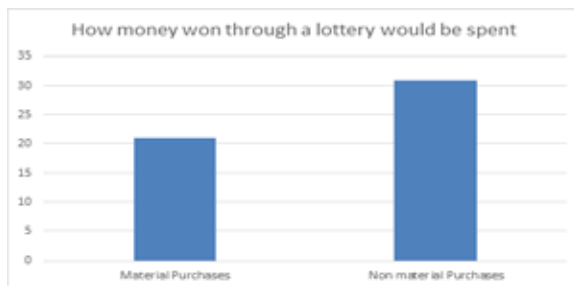


The respondents had an option to choose more than one answer. 29 responses were in favor of non material purchase, eighteen said specific material purchases, and 14 said emergencies and investment. It seems there is definitely a greater desire to save for non-material purchases than material purchases. When the participants were asked to specify what purchases they were likely to make it in the future, most of them favored travelling and holidays which included educational tourism too. This is interesting because of the fact that most people who chose traveling were in the age bracket of 18-25 years. With globalization and opening up of opportunities to study abroad and travel and be part of different cultures, it becomes plausible that young students will want to save up for it, especially with rising costs of education and living. The other group who picked traveling was the greater than forty age bracket. Traveling in this case was stated mostly for pleasure. A lot of middle aged people do start saving early to enjoy life after retirement.



Respondents were then asked about their spending in the previous year and thirty of them said it was more of material purchases while twenty two said it was more of non material purchases. While it may seem like on the surface people prefer material purchases, to put the implications of this question into perspective, we compare it to what people said about savings and another question which comes later on in the survey.

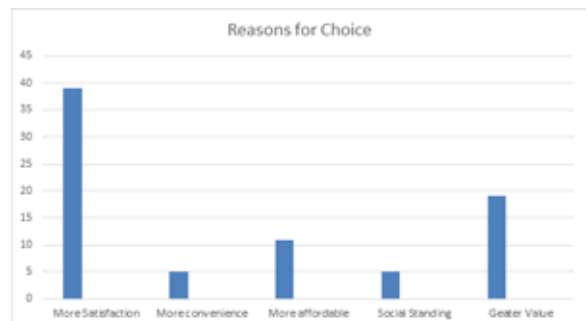
The participants were asked, what they would do if they were to suddenly come into a large sum of money, say through a lottery.



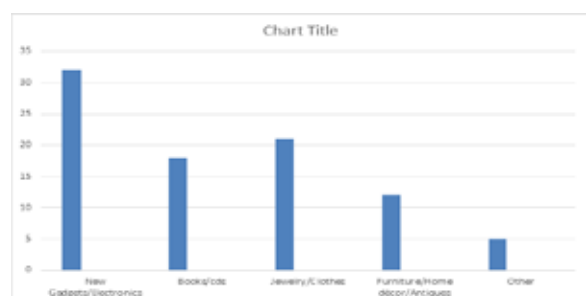
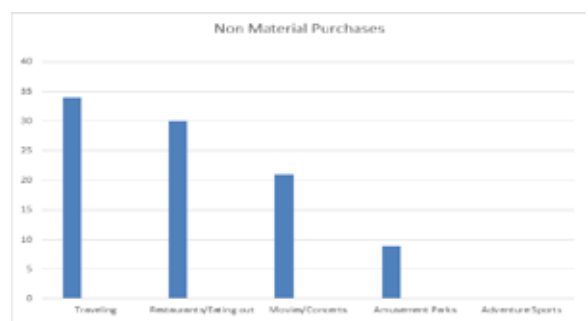
Choice	No. of people who chose the option	More Satisfaction	More Convenience	More Affordable	Social Standing	Greater Value for Money	Other
Material Purchases	30	22	05	10	01	09	01
Non material Purchases	22	17	00	01	04	10	00
	52	39	05	11	05	19	01

As it is evident, out of the thirty nine who chose more satisfaction, seventeen were people spending on non-material purchases, which had a total number of twenty two. While twenty were people who spent on material purchases, which had a total number of thirty. Comparing these two numbers, it is clear that there was more satisfaction between people spending on non-material purchases than those with material purchases. The same is true for having greater value for money and social standing. However the reverse is true for having more convenience and greater affordability. There is a greater sense of having affordable purchases and more ease of access, which in turn implies less time consumption between people who spent on material purchases, thus confirming our earlier hypothesis for reasons for the two question paradox. Another interesting point is that of social standing. Like here, other studies have also shown that experiences tend to be an indicator of social standing, often quite more than products. People tend to ask you more happily about your experiences like that concert you attended, rather than some expensive product you purchased. Experiences also help in bonding. Man is a social animal and as such craves for company. Bonding with people over travels and outings tend to be more fulfilling and leads to better relationship than material products. For example one would feel more camaraderie and have more in common with a person with whom one enjoyed watching a cricket match rather than with someone who owns the same television set.

Interestingly, now more people prefer non material purchases, thirty one of them, while the minority, twenty one, prefers material purchases. This brings into question the paradox of actual spending versus desired spending. People are spending on something while they desire something else. While there are many factors which come into play the most important one is money. It is no secret that experiences, particularly good experiences, may end up being unaffordable. People may want to go traveling but they may not be able to afford it. This also explains the behavior regarding savings. There are also time constraints to consider as people hardly have the time to go to the cinema, eat out, go traveling etc. But it does not take a lot of time to buy and use material purchases like, furniture, clothes, jewelry etc. Hence the disparity between what people actually want and what they end up settling for because of several reasons is a very real one.

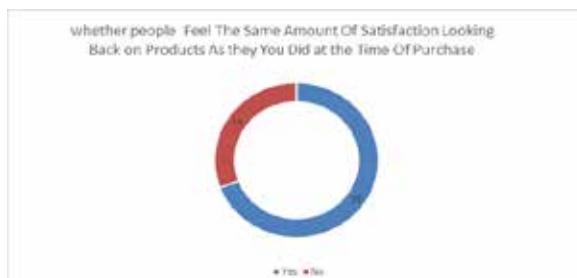
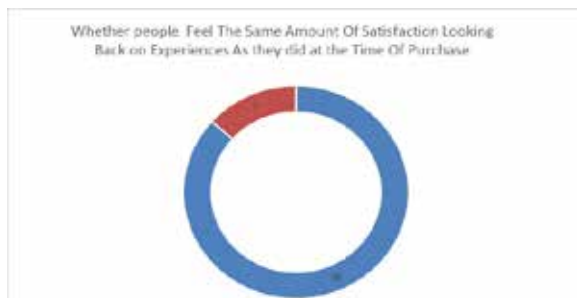


For greater understanding of the question on the previous year's spending, participants were asked about the reasons for their choice in spending money on the material or non-material things. As it can be seen, people give more importance to greater satisfaction, followed by value for money, followed by affordability, followed by convenience and social standing. But we get real insight when we look at how these numbers are distributed between those who spent more on material purchases versus non material purchases.



These are the results for the types of material or non-material goods people prefer. Clearly traveling is on the top, probably due to the effects of globalization and a desire to explore the world and other cultures. This is followed by visiting restaurants, with gourmet eating becoming its own type of luxury experience in recent years and a huge influx of TV shows being devoted to this. Movies and concerts come in third, due to the big boom in the entertainment industry. Amusements parks and adventure sports follow as fourth and fifth.

In material purchases, gadgets and electronics take first place which can be attributed to breakneck advancement in technology, followed by jewelry, clothes and antiques in second place which are quite consistent categories as people always invest in these. Books, furniture and home décor take third and fourth place respectively. Other section takes fifth place and includes video games and similar.



The next two questions were asked to gauge satisfaction levels over time, whether the satisfaction is long lasting or not. Forty five people, (86.5%) said that they feel the same amount of satisfaction looking back on money spent on experiences as at the time of purchase compared to thirty six people, (69.2%) who said they feel the same amount of satisfaction looking back on money spent on products as at the time of purchase. This demonstrates that there is clearly a higher satisfaction life for experiences even though they may be a onetime thing. This is because as we are exposed more to the product we start adapting to it and it loses its original charm. Experiences tend to give intense satisfaction at that one go as compared to products which give smaller amounts of satisfaction at intervals and then fade away. (Weidman, Dunn, 2015)



65.4% i.e. thirty four people said that they spend more time on deciding and making choices while buying products. This is because while there are a lot of similar products available

to choose from, it's more difficult to compare experiences. This raises the satisfaction level of experiences as there is less chance of feeling regret for, say, choosing to travel to London than America as both have their own merits while you may feel regret for choosing one brand of electronics over the other.



Thirty two people, i.e. 61.5%, said they feel more excited while purchasing an experience. Experiences add even more to their value through anticipation factor. Excitement and anticipation only serve to add more to the experience and raise the overall value. In contrast waiting for a possession is likely to be maligned with impatience. An example is how when people wait in line for concerts there is social interactions and in many cases people end up making friends but on the other hand you hear of stampedes when people wait in line for sales or a limited product. Another example as stated in a similar study is one can think about waiting for a delicious meal at a nice restaurant or looking forward to a vacation, and how different that feels from waiting for, say, a pre-ordered iPhone to arrive. Or when the two-day shipping on Amazon Prime doesn't seem fast enough. (Hamblin, 2014)

**Conclusion and Discussion**

After analyzing the results of the survey, it is safe to say that people do prefer experiences and derive more emotional and social fulfillment from it. While material products may provide temporary happiness, the happiness derived from experiences is long lived. One question that arises is that since experiences are a onetime thing, products should make us happier since they are there with us for a longer period of time. But psychological studies have shown that we stop finding things desirable and appreciating them if we're exposed to them for a long time. The saying you appreciate someone more when they're gone from your life can be applied here too. As such experiences give us a short burst of happiness and memories to last a lifetime, material products end up fading into the background along with their value to us.

Inversely, there have been many studies conducted on how materialism brings about a decline in happiness and wellbeing of the consumer. While at first it may seem satisfying to own new products, we as humans soon adapt to it and it fades. This concept is called hedonic adaptation or hedonic treadmill where great negative or positive changes experienced by a human being get leveled to a stable level of happiness. While there is a lot of criticism about the negative aspect, positive events getting leveled have been proven by research. Consumerism also fuels the want-need gap. You can never have enough and hence happiness is unachievable.

Not only this, experiences tend to have a positive impact on people. Experiences shape that you are and become a part of you and help make memories which is not something material products can usually do. Experiences strengthen social relationships and help make more connections which are highly beneficial for a healthy lifestyle. Corporations will always be concerned with making you buy the things you don't need or want and soon it loses its value.

We have already confirmed our earlier hypothesis that there is difference between what people actually spend on and what they want in terms of material and non-material products. This gap can be explained by financial situations and time constraints. Experiences give more satisfaction but are harder

to finance. And another obstacle is in the form of a mental block that products will give greater value when it has been proven time and over that it's not true. Spending a little more on experiences will give immense happiness and memories which will stay with you for a lifetime. There is also lesser risk of regret in experiences because each one is unique but unfortunately products are highly comparable and we'll always want the best. One of the greatest ironies of capitalism is that you work and work just to earn enough to get away from that work for a while.

To understand more about the decision making process of consumers, the Financial Conduct Authority (UK) has released studies. It suggests that consumers' choices are mainly affected by:

- 1) Preferences, or biases, conditioned by emotions and psychological environmental factors;
- 2) Beliefs, regarding what consumers believe are the situation;
- 3) Decision making; the short-cuts consumers use to finalize the buying process, based on their beliefs.

Keeping this in mind, we may begin to figure out more about how consumers operate under today's conditions and how it changes according to historical materialism. Economic conditions also have a great impact on how people view material and non-material purchases as well as their access to these products. All these analyses are useful to corporations to figure out consumer behavior but if misused can turn into dangerous manipulation techniques. But the good side is that it helps us learn our own spending patterns and will allow us to invest and spend more wisely.

Another very important part is how differences in age correlate to spending. Most of the people in age groups above thirty preferred material spending while the younger generations preferred experiential products. This may be attributed to more opportunities available to youngsters due to rapid globalization and also a move away from the materialism of the twentieth century. With stress levels on the rise, today's youth is looking for more and more ways to have fun and enjoy, and what better way to do it than go and have new experiences? Consumers are human beings and human beings are never static so it's difficult to say for sure how we'll change and react next but one thing is sure that we'll always be in the pursuit of happiness.

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