

# ***Research on Cultural Consumption from the Perspective of Mental Accounting***

**Jefferson Tianyu Fang<sup>1,a,\*</sup>**

<sup>1</sup>*Crean Lutheran High School, 12500 Sand Canyon Ave, Irvine, CA 92618, USA*

*a. jeffersonfang23@gmail.com*

*\*corresponding author*

**Abstract:** Behavioral economics emerged in the late 1970s and early 1980s. Compared to traditional economics, its theory is based on bounded rationality and combines with disciplines like psychology to address the limitations of traditional economic theory, providing more convincing explanations for market phenomena. Behavioral economics covers a wide range of topics, and this paper focuses on the perspective of mental accounting to study cultural consumption. Cultural consumption is the endogenous driving force for the development of the cultural industry. The psychological factors behind cultural consumption are key to influencing consumption decisions. Adopting the mental accounting theory from behavioral economics, residents' cultural consumption mental account consist of three main categories: economic capital account, cultural capital account, and social capital account, as well as six sub-accounts: transaction cost account, sunk cost account, leisure and entertainment account, aesthetic value account, social interaction account, and identity differentiation account. These accounts can effectively explain the influence mechanism between utility changes and cultural consumption behavior decisions. Based on the connotation and mechanism of the cultural consumption mental account theory, formulating various bundled sales strategies, reducing the sunk costs of cultural consumption, and promoting the high-quality development of the cultural industry are important paths to expand residents' cultural consumption. By integrating insights from behavioral economics, this approach can provide more effective solutions to boost cultural consumption and drive the sustainable development of the cultural industry.

**Keywords:** Mental Accounting, Cultural Consumption, Transaction Utility, Acquisition Utility, Behavioral decision-making.

## **1. Introduction**

Cultural consumption is a social behavioral process through which individuals achieve spiritual pleasure and psychological satisfaction, typically categorized broadly and narrowly. Broadly, cultural consumption encompasses all activities and services related to spiritual and cultural consumption, including aspects such as cultural arts, education, technology, and sports. Narrowly, cultural consumption specifically refers to the consumption of cultural products and services such as literature and art. In recent years, many countries worldwide have been striving to promote cultural consumption among their residents to further drive economic development. However, the factors

constraining decision-making in cultural consumption behavior remain a topic requiring further research. The concept of mental accounting provides an excellent perspective for addressing this issue.

Thaler first introduced the concept of mental accounting to explain why consumers are influenced by the "sunk cost effect" when making consumption decisions[1]. Tversky and Kahneman further utilized the concept of mental accounting to describe how individuals mentally categorize, encode, evaluate, and budget outcomes, particularly economic outcomes[2]. They noted in 1984 that people tend to evaluate outcomes based on a reference point rather than an absolute level[3]. Thaler formally proposed and developed the mental accounting theory in 1985, suggesting that mental accounting systems often follow a set of underlying psychological rules that contradict economic principles[4]. In 1999, Thaler summarized his research on mental accounting, highlighting how individuals mentally categorize, classify, and evaluate various activities when making decisions. General mental accounting comprises three components: analyzing costs and benefits of activities for decision-making and evaluation, categorizing activities into different mental accounts for income allocation, and balancing time and categorization across accounts. On the other hand, narrow mental accounting refers to psychological accounting behaviors that deviate from traditional economic assumptions, demonstrating that different sources of income are not interchangeable and are allocated to separate mental accounts. For instance, individuals may plan rigorous savings and investment strategies for hard-earned income but adopt a different attitude towards windfall gains. Due to the presence of mental accounting, consumers often exhibit "irrational" consumption behaviors, deviating from the assumption of rational decision-making[5].

Based on previous research, this paper defines the mental accounts individuals establish for anticipated cultural consumption as cultural consumption mental accounts. Cultural consumption mental accounts represent the cognitive behaviors of categorizing, encoding, evaluating, and budgeting when consuming or anticipating cultural products and services. This process involves consumers assessing the utility gains and losses of cultural consumption, forming an independent mental account.

## **2. Classification and Characteristics of Cultural Consumption Mental Account**

In terms of classification, cultural consumption mental accounts generally fall under the category of leisure and recreational spending within expenditure accounts, alongside living expenses, emotional bonding, and personal or family development expenses. Depending on the consumer's target and content of consumption, different mental accounts are established. In more specific consumption situations, consumers further set up corresponding benefit and expenditure accounts for individual cultural consumption occasions, such as expenditure price accounts, time cost accounts during consumption, and pleasure gained from consumption accounts. It is worth noting that setting up cultural consumption mental account is a common practice among consumers, although most individuals tend to prioritize spending money on necessities while controlling their indulgence needs[6]. Therefore, the mental accounts for material consumption are often rigid, while those for cultural consumption are typically flexible, with people usually seeking cultural consumption after fulfilling material consumption needs.

The characteristics of cultural consumption mental account can be described from three perspectives. Firstly, the perception and experience of cultural consumption outcomes are related to cost-benefit considerations, with factors determining the consumer's sense of gain or loss perception being associated with both transaction utility and acquisition utility. For example, when a consumer can purchase concert tickets at a 30% discount, they may perceive the consumption as cost-effective from a transaction utility perspective. If the concert is enjoyable, the acquisition utility is also high. However, if the performance falls short of expectations, the acquisition utility decreases, offsetting the previous transaction utility gain. Secondly, each mental account for cultural consumption has

distinct and non-substitutable classifications, which may be subject to budgetary constraints or exceed budgetary controls. Cultural consumption by individuals is diverse, allowing for the establishment of multiple mental accounts for different consumption items, each with unique budgets. These accounts are often non-substitutable; for instance, the mental account for travel is distinct from those for activities such as watching movies or buying books, with each having its own budget. However, consumer preferences for specific consumption items may lead to adjustments in account expenditure budgets within the overall spending account. Lastly, the evaluation of cultural consumption mental account is influenced by assessment periods such as daily, weekly, monthly, or yearly evaluations. For instance, if a consumer assesses their mental account during a month when they have taken a trip, they may perceive their cultural consumption expenditure for that month as high, resulting in significant economic loss effects. However, viewing this single trip expenditure within an annual timeframe weakens the expenditure effects of the travel consumption.

### **3. Composition and Behavioral Mechanism of the Cultural Consumption Mental Account**

The differences between cultural consumption and general material consumption result in distinct compositions and categories of mental accounts, with different categories of mental accounts playing varying utilities in different cultural consumption behaviors. The changes in utility thus become the core mechanism influencing decision-making in cultural consumption behavior.

#### **3.1. Composition and Classification of Cultural Consumption Mental Account**

A prominent challenge in current financial investment risk management practices within From a broad perspective, cultural consumption mental accounts can be categorized into three types: economic capital account, cultural capital account, and social capital account. Individuals incur economic costs in accordance with market transaction rules during the cultural consumption process, thus necessitating an economic capital account (economic capital refers to tangible wealth that can be used to acquire goods or services). Simultaneously, cultural consumption satisfies individuals' spiritual and cultural needs, providing pleasure, comfort, aesthetic enhancement, and cognitive development through consumption, leading to the existence of a cultural capital account (cultural capital refers to informal interpersonal communication skills, habits, attitudes, language styles, educational qualifications, tastes, and lifestyles). Furthermore, cultural consumption generates significant externalities, offering additional social capital benefits such as making friends, maintaining relationships, and expressing identity. Therefore, consumers typically establish a social capital account (social capital is a collection of actual or potential resources that are closely linked to a persistent network, inseparable from a familiar, recognized, and institutionalized relationship network). For individuals, economic capital represents wealth and purchasing power; cultural capital signifies personal cultivation and is a necessary prerequisite for entertainment and aesthetic appreciation; social capital embodies interpersonal relationships and can bring substantial external benefits. While there may be interconversion among these forms of capital, once one form of capital is transformed into another, it loses its original characteristics and only retains the characteristics of the converted form. Thus, the three types of mental accounts—economic capital, cultural capital, and social capital—have distinct content directions and significances, are strictly differentiated, and are non-substitutable.

Based on the essence of economic capital, cultural capital, and social capital, as well as their main measurement methods, this article subdivides the economic capital account into transaction cost account and sunk cost account, the cultural capital account into leisure and entertainment account and aesthetic value account, and the social capital account into social interaction account and identity

differentiation account. Economic capital accounts are expenditure-oriented, while cultural capital and social capital accounts are income-oriented.

The transaction cost account in cultural consumption is measured in currency, similar to general consumer mental accounts. In cultural consumption, transaction costs mainly refer to the prices of consumption objects, such as concert tickets and art prices. The establishment of the transaction cost account in cultural consumption originates from consumers' psychological assessment of the value of cultural consumption objects. Because the prices of many cultural products or services are not solely determined by their value, instances of transaction prices deviating from value are common in cultural consumption. For example, the value of an artwork may be perceived differently by individuals based on their artistic interests, resulting in different transaction cost accounts being set up in their minds.

Sunk costs refer to expenses that have been incurred and cannot be recovered regardless of efforts made. Sunk costs are classified into monetary sunk costs and behavioral sunk costs, with behavioral sunk costs referring to the efforts, energy, time, and other inputs made by consumers. Cultural consumption involves both monetary and behavioral sunk costs. For example, in attending a performance, monetary sunk costs mainly include ticket costs and travel expenses, while behavioral sunk costs encompass activities such as gathering performance information, creating support materials, participating in on-site activities, and attending the performance, incurring energy and time costs.

Regarding the leisure and entertainment account, leisure is a form of life that seeks psychological relaxation by escaping external pressures. The fundamental function of cultural consumption is to provide mental pleasure, relaxation, and emotional relief through the consumption of cultural products, enjoyment of cultural services, experiences, and participation, meeting the basic pursuit of consumers engaging in cultural consumption.

In terms of the aesthetic value account, aesthetics is a spiritual practice aimed at satisfying individuals' cognitive, appreciation, and educational needs for beauty. It involves an interactive process between the aesthetic subject and object. Cultural consumption objects often embody cultural and artistic beauty, allowing consumers to derive aesthetic value through the consumption process. The aesthetic value account can be further divided into sub-accounts such as aesthetic cognition, aesthetic education, and aesthetic construction.

Regarding the social interaction account, cultural consumption serves as a special form of social interaction activity, expanding social networks, strengthening interpersonal relationships, and gaining recognition from others. Therefore, especially in collective cultural consumption, individuals may establish a social interaction account for engaging in social interactions, emotional connections, and relationship expansions. For instance, inviting friends or hosting guests to attend exhibitions, performances, joining specific book clubs, ticket groups, or making new friends while visiting museums, exhibition halls, etc.

In terms of the identity differentiation account, consumer goods consumption is not only for their intrinsic value but also for the symbols and meanings they reflect. In other words, consumption has symbolic significance. Cultural consumption is a typical form of symbolic consumption, where different cultural tastes represent distinct identity symbols, leading to identity differentiation among consumer groups. Individuals may establish an identity differentiation account in their minds to maintain identity conformity within a group.

### **3.2. Behavioral Decision-making Based on Cultural Consumption Mental Account**

The fundamental factor influencing behavioral decision-making in cultural consumption is the psychological utility perceived by consumers. Utility refers to the level of satisfaction consumers experience when consuming goods, and in cultural consumption, individuals typically perceive two types of utility: Transaction Utility and Acquisition Utility. Transaction Utility evaluates the value of

a transaction, comparing the payment price with the consumer's expected price for the item, representing the difference between the expected price and the transaction price in monetary terms. The expected price is derived from the evaluation of the utility of past cultural consumption objects or a fuzzy comprehensive evaluation based on information about the initial consumption object. Acquisition Utility, akin to consumer surplus in traditional economics, is the utility gained from consumption minus the costs that must be foregone, representing the difference between the cultural capital utility, social capital utility, and economic capital utility gained from consumption. It cannot be fully quantified in monetary terms but is more of a psychological utility calculated based on the gains and losses in mental accounting rules.

There are three mechanisms through which the utility changes in cultural consumption mental accounts influence behavioral decision-making in cultural consumption. Firstly, Transaction Utility alone can affect decision-making in cultural consumption, where consumers may not consider the utility gained and perceive the cultural consumption as a good deal compared to previous experiences. Secondly, Acquisition Utility alone can influence decision-making, where even if the price is high, the utility gained from consumption is perceived as significant. Thirdly, consumers may consider both Transaction Utility and Acquisition Utility in deciding on cultural consumption behavior, which is the most common scenario.

Transaction Utility plays a determining role in the following situations: when the expected price is higher than the transaction price, consumers are more likely to make a purchase decision, feeling that the purchase is worthwhile; when the expected price is lower than the transaction price, consumers may perceive the item as too expensive and may refrain from making a purchase. Positive and negative Transaction Utility correspond to two market situations: some items quickly sell out due to consumers seeing it as a good deal, while others may remain unsold because consumers perceive negative transaction utility and are unwilling to buy.

Acquisition Utility plays a determining role in the following scenarios: when the loss is greater than the gain, attention is usually focused on the gains in cultural and social capital to reduce the pain of loss; when the loss is smaller than the gain, consumers may overlook the pain of loss and continue consumption due to a positive overall utility; when both the loss and gain are significant, but the gain exceeds the loss, consumers still consider the consumption valuable but may not engage in similar consumption again. Generally, when positive utility is less than negative utility, consumers perceive the consumption as not worthwhile and may reduce similar consumption behaviors; when positive utility exceeds negative utility, consumers consider the consumption as valuable and may increase similar consumption.

Most of the time, cultural consumers make decisions based on the combined effects of Transaction Utility and Acquisition Utility, reflecting the overall utility of consumption. Different preferences among cultural consumers lead to varying consumption decisions. For enthusiastic fans of cultural arts, Transaction Utility has minimal impact, as long as the Acquisition Utility is positive, they will make a purchase decision. For ordinary consumers, both Transaction Utility and Acquisition Utility are equally important, and a high level of either utility can lead to a purchase decision. Unconscious potential consumers are less influenced by Acquisition Utility but require a high level of Transaction Utility to prompt consumption.

#### **4. Policy Recommendations to Promote Residents' Cultural Consumption Based on Mental Accounting Theory**

##### **4.1. Formulating Bundled Sales Strategies**

Based on the differential utility perceptions, adopting diversified token payment methods such as consumption vouchers and discount cards to formulate bundled sales strategies can be an effective



approach. Within the mental accounting structure, individuals often categorize their wages and other income into the "regular income from work" account, while placing coupons, discount cards, and similar items into the "non-routine additional income" account. Due to the non-substitutability between these accounts, the perceived transaction utility experienced by residents when using income from these two accounts for consumption differs. When spending from the regular wage income account, the perception is that the losses outweigh the gains; however, when spending from the non-routine additional income account, the perception is that the gains outweigh the losses. Therefore, providing residents with coupons, discount cards, and other token payment methods on the consumption side can reduce the sense of cash payment outlay for consumers, effectively enhancing transaction utility.

## **4.2. Reducing Sunk Cost**

In addition to transaction prices, the time costs, transportation costs, and other sunk costs of consumption are also significant factors influencing consumer decisions. Therefore, it is necessary to utilize modern technological tools to enhance transaction platforms, standardize transaction processes, and improve transaction service levels. Effective time management, spatial management, and service tracking throughout the consumption process should be implemented to reduce sunk costs in transactions and consumption, minimize economic capital loss, mitigate negative effects of consumption, and enhance the perceived transaction utility in cultural consumption.

## **4.3. Promoting High-Quality Development of the Cultural Industry**

Promoting high-quality development of the cultural industry involves offering high-quality products and services to enhance consumers' cultural capital utility. Driving the high-quality development of the cultural industry by supplying high-quality, personalized, and diverse cultural products and services to enhance residents' cultural capital utility in leisure, entertainment, and artistic aesthetics is the foundation for promoting cultural consumption. The high-quality development of the cultural industry is a systematic endeavor that requires the establishment of a synergistic innovation ecosystem for cultural industry development and the core competitiveness of the cultural industry, encompassing policy safeguards, industrial structure, regional layout, growth patterns, innovative mechanisms, cultural development environment, and cultural social ecology.

## **4.4. Enhancing the Added Value of Cultural Products and Services**

In a consumer society, enhancing the value-added of cultural products and services is beneficial for consumers to acquire social capital utility. The added value of products and services in consumption society imbues consumers with identity significance and symbolic value, as individuals often showcase distinctiveness from others or groups through their choice of consumption behaviors. As high-value-added consumer goods, cultural products and services should pay more attention to the social capital benefits behind consumption. Therefore, while promoting the high-quality development of the cultural industry, there should also be a greater emphasis on building product brands and value-added services. This includes storytelling brand narratives, increasing product technological content, highlighting uniqueness among similar products; creating branded products to enhance the symbolic and symbolic value of products, and increasing cultural added value.

## **5. Conclusion**

This study focuses on cultural consumption from the perspective of mental accounting, drawing insights from relevant theories. Cultural consumption is a unique category within consumer behavior,

characterized by psychological accounts that share similarities with general consumer accounts while also possessing distinct characteristics. Residents' mental accounts for cultural consumption consist of three main categories—economic capital account, cultural capital account, and social capital account—along with six sub-accounts: transaction cost account, sunk cost account, leisure and entertainment account, aesthetic value account, social interaction account, and identity differentiation account. These accounts effectively explain the mechanisms influencing changes in utility and decision-making in cultural consumption behavior. Based on the theoretical implications and mechanisms of cultural consumption mental accounts, developing multiple bundled sales strategies to reduce the sunk costs of cultural consumption and promote high-quality development of the cultural industry represents a key approach to expanding residents' cultural consumption.

## References

- [1] Thaler, R. (1980). *Toward a positive theory of consumer choice*. *Journal of Economic Behavior & Organization*, 1(1), 39–60. [https://doi.org/10.1016/0167-2681\(80\)90051-7](https://doi.org/10.1016/0167-2681(80)90051-7).
- [2] Tversky, A., & Kahneman, D. (1981). *The framing of decisions and the psychology of choice*. *Science*, 211(4481), 453–458. <https://doi.org/10.1126/science.7455683>.
- [3] Kahneman, D., & Tversky, A. (1984). *Choices, values, and frames*. *American Psychologist*, 39(4), 341–350.
- [4] Thaler, R. (1985). *Mental accounting and consumer choice*. *Marketing Science*, 4(3), 199–214. <https://doi.org/10.1287/mksc.4.3.199>
- [5] Thaler, R.H. (1999) 'Mental accounting matters', *Journal of Behavioral Decision Making*, 12(3), pp. 183–206. doi:10.1002/(sici)1099-0771(199909)12:3<183::aid-bdm318>3.0.co;2-f.
- [6] Kivetz, R. and Simonson, I. (2002) 'Self-control for the righteous: Toward a theory of precommitment to indulgence', *Journal of Consumer Research*, 29(2), pp. 199–217. doi:10.1086/341571.