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Título do Artigo: **“THE THREATENING MARKETPLACE: The role of identity-threatening marketplaces in predicting intergroup price sensitivity”**

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THE THREATENING MARKETPLACE: The role of identity-threatening marketplaces in predicting intergroup price sensitivity

TRACK: COSUMER BEHAVIOR In field experiments with subjects living either inside or outside Brazilian slums (n=955), we show that consumers living in slums are less price sensitive, in opposition with recent price sensitivity research. Comparing slum and non-slum dwellers, we found that negatively stereotyped consumers (e.g. slum dwellers) were more likely to pay higher amounts for friendlier customer service when facing social identity threats (SITs) in marketplaces such as banks. The mechanism which makes them less price sensitive is related to the perception of how other people evaluate their social groups, and we argue that they pay more because they are seeking identity-safe commercial relationships. This work, besides extending the literature in SITs, presents a perspective for the exchange between economics and psychology on price sensitivity, showing that consumers living in slums are willing to pay more to avoid possibly social identity threating experiences.

Keywords: Price Sensitivity, Shopping Experience, Social Identity Threat.

1. Introduction

Classical economics has traditionally assumed that individuals rationally maximizes their preferences with stable and coherent preferences. Given a set of options and probabilistic beliefs, a person is assumed to maximize the expected value of a utility function (Rabin, 1998). Individuals experiencing scarcity would search for the cheapest option for the same benefit (Friedman & Savage, 1948). Recent research has been corroborating this assumption showing that lower-income shoppers are more price sensitive and tend to "purchase the lowest-priced products within a given product category. In a compelling study to determine if lower-income shoppers display similar or dissimilar price elasticities of demand for breakfast cereals, researchers confirme that lower income shoppers make rational purchase decisions as defined by consumer demand theory (Jones, Chern, & Mustiful, 1994).

They show that poorer consumers make rational purchase decisions, being guided "guided by their income and product prices" and find that the price differential is sufficient to compensate quality differences (Jones, Chern, & Mustiful, 1994). Evidences that low income groups are more price sensitive than high income groups have been showed with active smokers as well (Marshall, Kennedy & Offutt, 2000).

Very recent research corroborates this finding, suggesting that poverty eliminates context effects, in which consumers allocate their attention and cognitive resources to the problem at hand and therefore are more price sensitive (Mani, Mullainathan, Shafir, & Zhao, 2013). However, psychologists and behavioral economists have shown that even irrelevant contextual features (e.g.: marketplaces' cues such as banks' "elitist image" or the majority presence of higher income individuals) influence decision making (Kahneman and Tversky, 2000; Simonson and Tversky, 1992) and thus, people do not often have a primary focus on price (Lichtenstein & Slovic, 2006; Kahneman & Tversky, 1979, 1984).

Negatively stereotyped groups such as the poor and slum dweller suffer also suffer social exclusion, shame, and low self-esteem in their interactions with other groups (Walton & Cohen, 2011). They experience threats to their social identities (Tomlinson & Walker, 2010), even if they report not caring about others' perceptions (Lemay & Ashmore, 2006). In settings where there are subjective evaluations, people whose social identities have been traditionally negatively stereotyped feel an extra degree of threat - called Social Identity Threat (SIT) (Steele et al., 2002), that can drive their reactions and lead them to be more sensitive to the contextual features of the marketplace (see: Mallett, Wilson, & Gilbert, 2008; Mendoza-Denton et al., 2002; Steele et al., 2002; Branscombe et al., 1999; Branscombe & Ellemers, 1998; Vorauer, Main, & O'Connell, 1998). Even though the impact of SITs on their targets' behavior has been intensely documented (Steele et al., 2002) and debated in social, educational, and organizational psychology (Spencer, Logel & Davies, 2016), researchers have been ignoring their effects on slum dwellers' behavior in a commercial setting. By acknowledging that there are Social Identity (SI) threatening cues in different environments (e.g.: Spencer, Logel & Davies, 2016; Steele et al., 2002), it is puzzling that economists and psychologists' researchers of price sensitivity have not explored these interactions.

We hypothesize that slum dwellers are targets of negative stereotypes because most of their members live in poverty and in a segregated space. Therefore, commercial settings (e.g.: banks) could be 'threatening' environments for slum dwellers, mainly for those who feel more identified with their social group and who maintain more negative perceptions of how non-slum dwellers evaluate them. Thus, the possibility of negative stereotypes makes these vulnerable consumers living in slums (vs. non-slum dwellers) less sensitive to price and more likely to prefer paying higher interests rates when choosing a marketplace with better

customer service and friendlier staff (vs. not friendly staff). This decision to use a more expensive service is not predictedby classical economic theory that hinges on the assumption of rational choice, in which experiencing scarcity would search for the cheapest option for the same benefit (Friedman & Savage, 1948).

We examine price sensitivity interaction with SIT, extending research to the impact of a better (friendlier) customer service on price sensitivity. In three field experiments within and outside Brazilian slums, we found that slum dwellers were less price sensitive than non-slum dwellers, and we show evidence that this decision was impacted by their negative perceived evaluation of their social group by out-groups. Our results show that in identity threatening contexts, slum dwellers became significantly less price sensitive as they sought an identity safer commercial setting.

Understanding slum dwellers' behavior is important for managerial strategy of retailers with potentially threatening marketplaces, and our findings suggest that companies should concentrate resources on a more respectful and warm customer service instead of only participating in price/interest rate competition to attract low slums' consumers. For microfinance literature and public policies, our findings suggest the need to reduce possible barriers to slum dwellers households' willingness to get a loan to avoid the situation where those individuals who have less end up spending more (Brau & Woller, 2004; Mosley, 2001; Park & Ren 2001). Behavioral research has recently been applied to policy-relevant challenges and has explored simple interventions to influence behavior (Shafir, 2012; Thaler & Sunstein, 2009). However, slum dwellers have received relatively little attention (Hall, Zhao, & Shafir, 2013).

2. Background Literature

2.1. Price sensitivity theories

Individuals have different perceptions and responses to difference in prices, and the extent of these responses (Monroe, 1973) is the focus of price sensitivity researchers. They have been concentrating their studies on sensitivity to changes in price (e.g.: Bucklin, Gupta, & Han, 1995), price format (e.g.: Dhar & Hoch, 1996), price framing (e.g.: Lichtenstein & Bearden, 1989), price information (e.g.: Wakefield, K. L., & Inman, J. J., 2003), product type (e.g: hedonic or utilitary) (e.g.: Jones, Chern, & Mustiful, 1994; Kim, Srinivasan & Wilcox,1999; Ainslie & Rossi, 1988; Webster,1965) and contextual influences affecting the price perception (Bone,1995; Stayman, Alden, & Smith, 1992; Thelen & Woodside, 1997; Mattson, 1982; Bearden and Woodside, 1978; Belk, 1975).Nevertheless, the contextual influences in price sensitivity that they have focused on are related to demographics (e.g.: Wakefield & Inman, 2003; Hoch et al., 1995) and psychographics aspects (e.g.: Urbany, Dickson, & Kalapurakal, 1996), with less attention to contextual aspects of social identity (Cohen & Steele, 2002) and customer service (Babin et al., 2005; Chebat and Slusarczyk, 2005).

A traditional approach used by price sensitivity researchers is the classical economic theory that hinges on the assumption that consumers seek to maximize gains, making trade-offs to choose the option with highest expected utility (Neumann & Morgenstern, 1947) in a world of scarce resources (Keeney & Raiffa, 1976; Friedman & Savage, 1948; von Neumann & Morgenstern, 1944). This mainstream economics relies on mathematical formalization of assumptions and logical analysis (Rabin, 1998). Their basic assumptions are that utility is independently determined for each option; decisions should be independent of irrelevant alternatives (Rieskamp et aI., 2006; Luce, 1959) and preferences should be invariant of how

the options are presented. Following this approach, we should expect a negative relationship between price and demand, where most slums' borrowers would prefer to choose a cheaper marketplace (for instance, a bank branch with lower interest rates), even if they would have to deal with undesirable customer service.

Another approach of the price sensitive research is the context-dependent choice theory. Mostly used by psychologists and behavioral economists, the theory argues that the context, individuals' previous experiences and the set of available options dramatically influence human decision making (Kahneman and Tversky, 2000; Simonson and Tversky, 1992; Tversky and Kahneman, 1981). In opposition with classical economists, and in line with our prediction, they have shown that people's preferences are often malleable and influenced by contextual cues, hence people often do not attend to scarcity (Lichtenstein & Slovic, 2006; Thaler, 1999; Bettman, Luce, & Payne, 1998; Simonson, & Tversky, 1993; Kahneman & Tversky, 1984,1979; Shafir, Tversky & Kahneman, 1981).Moving beyond rationality, they consider the influence of social approval, security, and even love on consumers' price sensitivity (Macy and Flache, 1995; Markovsky, 1994, Markovsky, Willer, & Patton, 1988) and they show that expected utility often does a poor job of predicting how humans actually behave (Camerer et al., 2004; Thaler, 1992).

Behavioral economists also consider that, in different contexts, consumers overweigh some characteristics of products or services and disproportionately weigh more salient attributes (Tufano, 2010; Shafir, Waite & Smith, 2002; Fishburn & LaValle, 1988;). Salient attributes differentially direct one's attention to one aspect of the environment rather than to others (Taylor and Thompson, 1982), and it bias consumer choice (e.g.: Zhou & Hui, 2003; Chao, & Gupta, 1995; Samiee, 1994; Hutchinson & Alba, 1991; Zeithaml,1988). Psychologists view salience detection as a key attentional mechanism enabling humans to focus their limited cognitive resources on a relevant subset of the available sensory data (Bordalo, Gennaioli, and Shleifer, 2010). Considering the importance of context and salient attributes to consumers' decisions, the present work follows a recent economic approach developed by Bordalo, Gennaioli and Shleifer (2012) that shows that cognitive limitations can influence the focus of consumers' attention – the 'local thinking' phenomenon (Gennaioli & Shleifer, 2010) – and it makes them attach disproportionate weights to their more salient attributes (see: Arteta,Carey, Correa & Kotter, 2013; DeAngelo & Stulz, 2013; Greenwood & Scharfstein, 2012; Dewatripont & Tirole, 2012; Singh & Stella, 2012). We extend this concept of salience to customer service friendliness, an attribute that can be disproportionally weighted in threatening marketplaces by consumers who are predisposed to SITs.

Conversely, in opposition to our predictions and to this recent approach, another novel body of research focusing on low income costumers' price sensitivity suggests that when people feel that resources are low relative to needs, a scarcity mind-set emerges, reducing or eliminating context effects (Mani, Mullainathan, Shafir, & Zhao, 2013; Mullainathan & Shafir, 2013; Shah, Mullainathan, & Shafir, 2012). According to them, price would be more salient to consumers and decision making would be closer to normative predictions (Mullainathan, & Shafir, 2012). Hence, it remains unclear under which circumstances scarcity will not eliminate the context effects.

We argue that prior research does not consider the impact of the setting where consumption takes place and its surrounding threats for poorer or negative stereotyped groups of consumers. Our prediction is that, when vulnerable consumers such as slum dwellers experience an environmental cue that they will be negatively evaluated according to their social identities, scarcity does not change their focus on the contextual cues. Instead, the

contextual threatening cues make psychological security a more pressing need relative to scarcity. Thus, we hypothesize that slum consumers in a marketplace with possible stereotype threats would inflate the weights attached to the friendly customer service attribute, which becomes more salient than the additional price. We argue that being a slum dweller itself is not the mechanism that influences this need for friendlier customer service in a potentially threatening transaction, but it is driven by the cognitive vulnerability caused by the anticipated possibility of SITs.

2.2. Slum dwellers' social identity stereotypes

Dwellers of slums or settlements around the world share some demographics – they are mostly poor, tend to be black or from minority groups, have lower educational levels and live in overcrowded houses lacking basic amenities (Oino & Kioli, 2014; Karn, Shikura & Harada, 2003; Bartlett, 1999). Even though economic resources represent a central dimension of social differentiation, slum dwellers furthermore suffer from spatial inequalities and segregation (Preteceille, & Valladares, 2000). The same stigma and stereotypes associated with being poor (Hall, Zhao & Shafir, 2013), such as being scorned, disrespected and perceived as incompetent (Fiske, 2011; Kerbo, 1976) are shared by them and can influence their abilities to manage their lives in a manner that enable them to lift themselves out of poverty (Badger, 2013).

On top of the negative stereotypes of poverty, their spatial segregation may lead slum dwellers to believe that non-slum dwellers hold a more negative image about them. The substantial territorial inequalities of most urban cities may have an influence on slum dwellers' perceived negative stereotypes, even in comparison with other groups with a similar income and educational level (Preteceille, E., & Valladares, L., 2000). Poorer and black individuals are two of the most frequently related stereotyped groups in SIT literature, and Brazilian slums are characterized by their non-white and poorer populations. Black and poor individuals may worry about performing poorly (Steele, Spencer, & Aronson, 2002) in order to not confirm a possible negative stereotype of 'bad debtors' or of intellectual inferiority of their social group.

2.3. Social Identity Threat

Social identity is "the individual's knowledge that he belongs to certain social groups together with some emotional value to him of this group membership" (Tajfel,1982). Hence, our personal psychology is affected by collective outcomes (see: Cohen & Steele, 2002; Klein & Azzi, 2001; Vorauer et al., 1998; Bernhardt, Dabbs, Fielden, & Lutter, 1998) through a cognitive mechanism (Turner, 1982) that leads to a perception of oneness with a group of persons (Ashforth & Mael, 1989). We usually use our groups as basis of self-evaluation (Tajfel & Turner, 1986), as our groups memberships serve as a source of self-definition (Tajfel & Turner, 1986; see also Walton & Cohen, 2003; Schmader, 2002). However, one's group can be negatively stereotyped: having low social status, being culturally marginalized, or seen as unfavorable in comparison to other groups (e.g., Branscombe & Ellemers, 1998).And, when a negative stereotype about a group that one is part of becomes personally relevant, negative stereotype threat occurs (Mallett, Wilson, & Gilbert, 2008). It is the resulting sense that one can be judged or treated in terms of a stereotype or that one might do something that would inadvertently confirm it (Vorauer, Main, & O'Connell, 1998).

This concern that one could be viewed negatively because of one's group membership is threatening to self-worth (Denton et al., 2002; Branscombe et al., 1999; Leary, 1999Mendoza-Vorauer et al., 1998; Ethier & Deaux, 1994). Hence, these stereotyped groups may feel

threatened when there is a salient possibility that a fellow group member may perform poorly and therefore reinforce a negative stereotype about their social group (Steele et al., 2002). They enter a situation with higher anxiety about how they will behave, caused in part by fear that some attitude on their part will confirm a negative stereotype to their social category (Aronson et al, 1999). Negative stereotypes impact individuals' performance, as it leads to a disruptive level of self-preoccupation and apprehension (Davies, Spencer, & Steele, 2005; Aronson & Steele, 2004; Steele & Aronson, 1995) that can overwhelm them (Aronson & Steele, 2004; Spencer et al., 1999). Negative stereotypes can contribute to differences in performance across ethnic and gender groups (Davies, Spencer, & Steele, 2005; Aronson & Steele, 2004; Spencer, Steele, & Quinn, 1999; Ferguson,1998; Jencks & Phillips, 1998; Pinkerton,1998; Steele & Aronson, 1995) and even among comparable populations and highly talented and prepared individuals (Steele and Aronson, 1995).

We measured these predispositions to SIT through selected items of Collective Self-Esteem Scale (CSES) that considers the importance of membership to individuals (CSE domain: Identity); individuals' evaluation of their social groups (CSE domain: Private CSE); and how they believe their social groups are evaluated by others (CSE domain: Public CSE) (Luhtanen and Crocker, 1992). Therefore, we assume that when individuals have a more positive private (self-judgment) and public (perception of others judgment) view of their social groups, they will see their group as able to counteract the SITs experienced during the service consumption process, which is in line with CSE theory (Sedikides and Jackson, 1990; Latane, 1981).

2.4. Identity Threatening vs. Safe Marketplaces

Some settings may make targets more aware that s/he can be negatively stereotyped (Henderson-King & Nisbett, 1996), such as places where the criteria for evaluation and upward progression are vague and possibly subjective (e.g: banks). In these settings, subjects feel more anxiety and vigilance to the possibility of being negatively evaluated, and threats become more invasive (Steele et al., 2002). Thus slum dwellers in these more 'threatening settings' may feel an extra degree of threat, worrying that their devalued social identity causes a negative subjective evaluation independent of their own behavior (Steele et al., 2002, Steele,1999).

Since SIT is an external threat, 'a threat in the air' (Steele et al., 2002), stereotypes can affect their targets even before they are translated into behavior or judgments from the 'aggressor.' The mere anticipated threat of discrimination and devaluation implied by the perceived relevance of a negative group stereotype to a setting can have strong effects on members' behavior (Steele et al., 2002). In line with the negative stereotype threats theory, in the present work, we are extending these threats to the marketplace setting. We argue that even in a setting such as a bank, where every individual has the possibility of being a profitable client, such threats occur. We predict that the cultural view that slum dwellers are worse payers or have higher probability of being criminals, and the many cues that could possibly signal it, can be threatening to slum dwellers. The cues signal to them that they may have marginal value or that they are invisible in the setting, in the sense of not being seen as valued participants.

Feelings of inferiority have been reported by Brazilian slums also in commercial interactions, such as at banks, exposing their decision to avoid relations with formal banks' branches (Research Data Popular, 2004; Oliveira, 2006; Limeira, 2008). Especially in this commercial setting, black and slum dwellers report the presence of revolving doors and metal detectors and have experienced unequal treatment and prejudice (Guimarães, 2004). This bank avoidance has a monetary cost, especially since many slum dwellers have been using

alternative borrowing sources with frequently higher interest rates. Thus, research need to check if this phenomenon is due to threatening cues (e.g.: an 'elitist image' of banks) or to the unsuitability of banks' interest rates (Bhatia & Chatterjee, 2010; Bittencourt, Magalhães & Abramovay, 2005).

Interventions can be effective at reducing these negative effects by providing targets with a way to cope with the threat (Spencer, Logel & Davies, 2016; Steele, 1988). Although methods that intervene with the target are successful in reducing the impacts of threat on their behavior, they allow the threatening environment to remain (Spencer, Logel & Davies, 2016). In contrast, another way to reduce targets' threats is to alter the environment, reducing contextual threatening cues and, consequently, targets' vigilance and mistrust (Steele, 1997, 1999; Markus, Steele, & Steele, 2000), creating an 'identity safe environment' (Spencer, Logel & Davies, 2016; Steele, 2002).

In the present study, we will present targets with cues of positive interaction with members of the out-group (in our case: the bank staff), through an intervention in the setting unrelated with members' social identities (staff friendliness). Friendship networks at school and the number of white friends have been recently shown as an important moderator for black students' negative perceived evaluations (Wout, Murphy & Steele, 2010). It could be interpreted that if a potentially devaluing out-group member is your friend, one may be more likely to refute threats in the setting (Steele, Spencer & Aronson, 2002). Therefore, we expect that an intervention such as a friendlier customer service in a threatening marketplace (e.g.: banks) may work as a relational positive cue, reducing slum dwellers' anticipated threats. In commercial interactions, for instance, a friendlier customer service is a desirable need for most consumers (; Iacobucci and Ostrom, 1993; Crosby and Stephens 1987; Solomon et al., 1985), but it may be more important for those under threat.

3. Hypothesis

We hypothesize that slum dwellers are more identified with their negatively stereotyped social group ('identification') and/or have a more negative perception of how other people evaluate them ('perceived evaluation'). Hence, the possibility of being negatively evaluated or treated with less respect might be forefront in their mind when going to a bank. Therefore, we apply this model to our hypothesis, considering that slums' borrowers would disproportionately weigh the potential SITs of a hostile staff, but mainly those with predispositions to SITs vulnerability.

We argue that a friendly customer service is indeed an important attribute for most consumers, but this importance may be more salient for slum dwellers that may be more aware of out-group prejudices. We hypothesize that it is not the effect of being a slum resident per se, but being aware that one is part of a negatively stereotyped group is the main mechanism through which they become less price sensitive. Therefore, the simple possibility of stereotype threat will make slum dwellers evaluate a friendlier customer service as more important than would non-slum dwellers, making them more prone to pay more to interact with a friendlier staff.

Therefore,

H1: Slum dwellers in comparison with non-slum dwellers, are less price sensitive, preferring to pay more for a friendlier customer service;

H2: Slum dwellers in comparison with non-slum dwellers have:

H2a: higher levels of identification with their social groups ('identification');

H2b: more negative perceptions of how other people evaluate their social groups ('perceived evaluation'*).*

H3: In possibly threatening marketplace, individuals' perceived evaluation of their social group by others partially mediates the impact of being a slum dweller on price sensitivity, so that subjects will be less price sensitive the more negative the perceived evaluation.

Consequently, slum dwellers more identified with their social identity groups and those who perceive that their group is negatively stereotyped by others are more vulnerable to hostility by bank staff and are prone to pay higher interest rates for a friendlier bank.

4. Experiments

We conducted our experiment for the slum dwellers condition in a complex of slums in the city of Rio de Janeiro, called Maré, where a significant proportion of dwellers live in precarious houses or stilts suspended over mud and water. The area's proximity to Galeão International Airport contributes to the perception of Maré as a poor area, occupied by a population under inferior socio-professional conditions (Vieira, Silva & Oliveira, 2010).

4.1. Experimental setting

We consider our experimental situation where: a consumer (slum dwellers or not) undergoing financial need is evaluating two banks where s/he can get a loan. The product is the same – a certain amount of money – but the price (interest rate) is lower in one of the banks. To have the cheaper interest rate and pay lower loan installments, the borrower has to interact with non-friendly staff for a longer period of time than in the cheaper option. We ran a field study to primarily check if slum dwellers and non-slum dwellers have significantly different sensitivity to loan interest rates when there are differences in a bank´s customer service. Although people from many different social groups may feel fear of negative evaluation (FNE), it is "neither necessary or sufficient to the experience of stereotype threat" (Steele et al., 2002) but may lead individuals to prefer a friendlier branch staff. In order to confirm that price sensitivity is more related to their groups' negative evaluation than to individuals' general fear of negative evaluation, we included a brief version of the Fear of Negative Evaluation (FNE) (Leary,1983) scale as a control.

4.2. Participants

To reach slum dwellers, we signed a research partnership with a NGO located within the Maré complex. We also ran this experiment outside slums and around the campus of a university with a high-income population, to reach a heterogeneous sample varying from very high to low income subjects. Most subjects from our studies were personally recruited and a few were recruited online through social networks. Participation was restricted to Brazilians.

4.3. Study 1

4.3.1. Design

To test our hypothesis, we used an experimental design with one observed factor: neighborhood (slum dwellers and non-slum dwellers). The dependent variable is the choice between two bank branches that subjects could get a loan from: one with lower interests (2,2%) but with a worst customer service (antipathetic staff and higher waiting time) and

another with higher interests (2,4%) but with a better customer service (friendly staff and lower waiting time). We included in the dependent variable differences in 'waiting time' as a second difference between branches, to make it more consistent with our cover story (identifying individuals' branch preferences when they need money). We also measure SIT vulnerability predisposition (subjects' identification with their social groups and perceived evaluation of their groups) with related CSES items. Subjects also completed the brief scale of fear of negative evaluation.

4.3.2. Procedure

Subjects completed the experiment alone with a tablet provided by the experimenter and the complementary sample completed the experiment online. Most subjects were contacted by the same experimenter, who invited them to participate in a study conducted by Fundação Getúlio Vargas in partnership with the NGO "Observatório de Favelas" to understand people's choices when they are out of money. Subjects were asked to imagine that they were in this situation: "You're running out of money. However, you need to spend money on something that is important to you now. You have asked relatives and friends and no one could lend you." On the next screen, the following message was shown: "Now the only way to get the money you need is to get a loan at a bank. In the next step you can view two options of secure bank branches. They just ask you to provide your CPF and the neighborhood in which you live." On the next screen we introduced our main question in the following way: "In general, we know that people choose a bank based on: waiting time and the friendliness and respect of employees; or just the interest rate that the bank offers." Our intention with this introduction is to avoid social desirability.

Then we make the question that is our main dependent variable: "Below are two options for branches that you can choose to go into and ask for the loan. Imagine that you need to go to one of them now to ask for the loan. Which of the two agencies do you prefer? A) Relationship with the client: very friendly. Average waiting time: 7 minutes. Interest per month: 2.4% b) Relationship with the client: not friendly at all. Average waiting time: 30 minutes. Interest per month: 2.2%". Since the main question for subjects was to choose between one of the two agencies, we used two different images to represent, in each condition, the two branch options to make the decision more realistic. In addition to the CSES, subjects also responded to three questions of a brief version of the Fear of Negative Evaluation Scale (Leary,1983), with items such as: "I'm afraid that people do not approve of me" serving as a control variable. At the end of the experiment, subjects were thanked and debriefed.

4.3.3. Results

Sample. Our initial sample had 464 subjects but 20 did not complete the experiment to the end or they did not correctly write the name of their neighborhoods, or the researcher could not confirm if they were living in or out of slum areas. At the end, we had a sample of 444 subjects, split among living in slums (n=224) and out of slums (n=220). Most of the non-slum subjects were recruited around and within a Brazilian university, Getulio Vargas Foundation. Most slum-dwelling subjects were recruited in non-pacified slums of Complexo da Maré in the city of Rio de Janeiro. Regarding demographic characteristics, as expected there are significant differences between slums and non-slums dwellers' households. As expected, our samples have significant differences in ethnic composition ($Black_{slum}$= 70.09% vs. $Black_{notslum}$= 35.45%; P: <0.001; χ^2 (1): 53.44), and in income ($LowIncpc_{slum}$= 76.34% vs. $LowIncpc_{notslum}$= 14.09%; P: <0.001; χ^2 (1): 173.43). They also have significant differences in

gender (Men_{slum}= 38.39% vs. $Men_{notslum}$= 49.07%; p=0.024; χ^2 (1)=5.06), and in age ($Older_{slum}$ = 24.11% vs. $Older_{notslum}$ = 10.75%; p: <0.001; χ^2 (1): 13.48).

Price Preferences. Supporting H1, slum dwellers showed a significantly higher preference for paying higher interest to be a client of a bank with better customer service (66.96%) such as more friendliness and lower waiting time, in comparison with non-slum dwellers subjects (57,73%, p= 0.045; χ^2: 4.03). Although most subjects from both group samples had preference for paying more for a better service, it is intriguing that those who have lower income are more prone to pay the highest price by giving greater importance to friendlier and faster banking service.

4.3. Study 2

In study 1, we had included waiting time, in addition to friendliness, to differentiate branches' customer services and make our cover story more consistent. This should have reduced any hypothesis guessing or social desirability bias. To isolate the impact of friendliness, we ran a replication of our main study without the delay time information. We expect that the difference in preference may be reduced between groups, since slums dwellers may be less willing assume that they would pay more for friendliness. The study method and procedures were the same except that we dropped the waiting time information.

4.3.1. Results

Sample. Our initial sample had 413 subjects but 13 subjects did not complete the experiment until the end or they did not write the name of their neighborhoods, or the researcher could not confirm if they were slum dwellers or not. We ended up with a sample of 400 subjects, composed of slums dwellers (n=195) and non (n=205). Most of the non-slum citizen subjects were recruited around and within a Brazilian university, Getulio Vargas Foundation Most slum subjects were recruited in not pacified slums of Complexo da Maré in the city of Rio de Janeiro. As expected, we found significant differences between slums and non-slum dwellers. They have significant differences in ethnic composition ($Black_{slum}$= 69.23 % vs. $Black_{notslum}$= 36.59%; P: <0.001; χ^2(1): 42.709), and in income ($LowIncpc_{slum}$= 68.21% vs. $LowIncpc_{notslum}$= 18.54%; p: <0.001; χ^2 (1): 100.74). They also have significant differences in gender (Men_{slum}= 44.62% vs. $Men_{notslum}$= 31.47%; p=0.007; χ^2 (1)=7.184), and in age ($Older_{slum}$ = 21.03% vs. $Older_{notslum}$ = 9.14%; P: 0.001; χ^2: 10.833).

Price Preferences. Supporting H1, slum dwellers' showed a significantly higher preference for paying higher interest to be a client of a bank with a friendlier staff (62.56%), in comparison with non-slum dwellers subjects (52.68%, p= 0.046; χ^2(1): 3.99). Although most subjects from both group samples had preference for paying more for a better service, it is intriguing that those who have too little are those who are more prone to pay the highest price by giving greater importance for a friendlier and faster banking service.

4.4. Study 3

Similar to study 2, we ran a replication of our main study but now dropping the friendliness differences information. Even if predicting a maintenance of the differences between groups, where slum dwellers will value spending less time in a threatening setting, we want to check if there will be a significant increase in slum dwellers' price elasticity, since there are no longer any differences in friendliness.

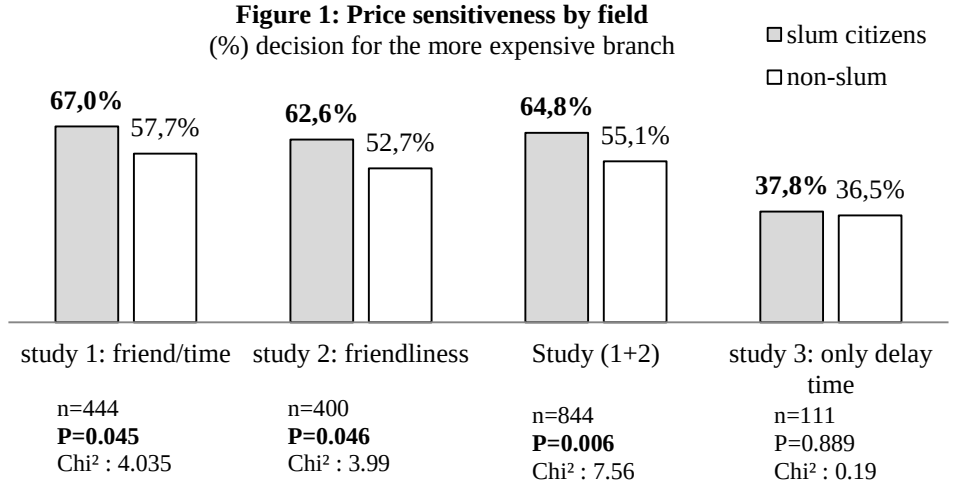
4.4.1. Results

Sample. This sample was composed of 129 subjects, where 18 subjects did not complete the experiment until the end or in the demographics we could not confirm if s/he was a slum dwellers or not. They were dropped. Demographics distribution was similar to studies 1 and 2.

Main results. Slum dwellers' (37,84%) and non-slums' dwellers (36,49%) had no significant difference on price sensitivity when there are differences only in waiting time (p= 0.889; χ^2: 0,09).

Figure 1 summarizes the main effects of the three studies.

Figure 1: Price sensitiveness by field
(%) decision for the more expensive branch



4.5. Mechanism

Sample. This sample combines the samples of studies 1 and 2, thus it is composed by a total of 844 subjects and the demographics distribution is similar to studies 1 and 2. We did not consider the study 3, since the main effect was not reflecting our theory; it was used only to rule out the alterative explanation that the observed effect in study 1 was driven by time and not by friendliness. The main effect remains significant when combining studies 1 and 2 as tested by a logistic regression model (Model 1, b=.387, p<.001).

SIT. In a regression model (Model 2), we analyzed subjects' identification with their collective identity, and found significant differences between slum and non-slum dwellers' (b=.217, p<.001), confirming our hypothesis H2a. Slum dwellers also have significantly more negative perception of how other people evaluate their social group – perceived evaluation (Model 1, b=-1,119, p<.001), confirming H2b.

Mediation model. The indirect effect of neighborhood on choice mediated by the perceived evaluation of respondents' social group (H3) was confirmed, thus their price sensitivity is affected by this perceived evaluation (b=-.091, p<.1, model 5), controlling for fear of negative evaluation, identification with the social group and demographics. The negative coefficient can be interpreted as: the more positive the perceived evaluation, the less likely they are to prefer the friendlier and more expensive branch. The indirect effect of neighborhood on choice mediated by perceived evaluation is significant (0.02, bootstrapped 90% CI (.0001 to .047)). This result indicates that the decision for the higher price and a friendlier staff is not

only a matter of subjects' neighborhood, but of SIT predisposed vulnerability.One could argue that different levels of education might predict their choices and thus in experiment 3 we included education level as a control variable. It had no significant impact on subjects' price sensitivity (n=108, χ^2 =0.998, p=0.318).

TABLE 1. Regression estimates

Studies 1+2 (H3)					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
IV/DV	**Eval.**	**Ident.**	**Choice**	**Choice**	**Choice**
Field (1=Slum)	**-1.119*** **	**.217** **	**.387*** **	**.426*** **	**.319** **
	(.105)	(.090)	(.141)	(.155)	(.167)
FNE	.106**	-.0001		.039	.029
	(.049)	(.042)		(.073)	(.073)
Ethnicity (1 = black)	-.055	.082		-.020	-.028
	(.103)	(.089)		(.152)	(.152)
Gender (1 = male)	-.109	-.145*		.017	.011
	(.098)	(.085)		(.146)	(.146)
Age (1= older)	.403***	.306**		-.291	-.264
	(.134)	(.115)		(.197)	(.198)
Perc. Evaluation					**-.091***
					(.053)
Identification				.074	**.103***
				(.059)	(.061)
Model	Linear	Linear	Logistic	Logistic	Logistic
N	830	830	844	830	830
Chi² / F	**26.62*** **	**4.70*** **	**7.58*** **	**11.26** **	**14.19** **
Pseudo-R²/ R²	.14	.03	0.01	0.01	.01

Standard Errors in parenthesis.
* p<0.1, ** p<.05, *** p<.01

5. General discussion

We found that slum dwellers were less price sensitive than non-slum dwellers when there were differences in staff friendliness, and slum dwellers' negative perceived evaluation about their social group may explain these differences. We argue that even living in scarcity of many different resources, it does not eliminate the impact of a threatening context on more vulnerable consumer decision, where vulnerable consumers seek out an identity safer commercial setting. The eminence of stereotype threats made vulnerable slum dwellers less sensitive to price and led them to overestimate the importance of a friendlier branch staff. The underlying message of our research is that even a commercial interaction in which the vulnerable individual is the client can become a threatening experience for members of stigmatized groups, resulting in overspending implications.

In this work we show evidence that the real-world pressure of SITs can have pervasive implications not only for targets psychological safety, but for their family budget. We do not expect that these aspects of SIT vulnerability would guide all choices of slum dwellers in threatening marketplaces, since inconsistent preferences can arise from many psychological processes, and identity salience is only one possible process (Shah, A. K., Shafir, E., & Mullainathan, S. ,2015). This work applies to threatening circumstances that require the valuation of paying a little more for an 'identity safe service'.

6. Limitations and Future Research

Having participants be actual slum dwellers in our experiment, and not just primed or budget constrained, provides a more realistic test of our hypotheses. Nevertheless, on the other hand, real poverty is an endogenous variable and, as such, we cannot control for the effect of unobserved variables that may differ between slum and non-slum dweller and that could alternatively explain our results – such as: differences in need for friendliness as a trait, in understanding percentations, in another territorial caracteristics that can impact preferences or cognitive performance, and so on.

Our first next step is to test the previous experiment on a non - or less – social identity threatening setting. Instead of using the situation of borrowing money in a bank, we will use a consumption situation in a less threatening marketplace such as buying products in a standard supermarket or in a popular retail store. In our second next step, we can experimentally manipulate subjects' social groups negative perceived evaluations, to isolate it from other factors. Manipulating one group with a negative stereotype and having another similar group not manipulated could provide more reliability to our findings, confirming that SIT is the real casual explanation for the differences in price sensitivity.

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