



# A Venmo Effect on Relationships: Electronic Payment Makes Social Relations More Transactional and Experiences Less Enjoyable

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## Abstract

Electronic money transfers (e.g., through Venmo) are increasingly popular. While technology may afford benefits like perceived efficiency, it could potentially have costs with respect to well-being. Experimentally, we find that using Venmo, compared to alternating payment (i.e., I'll get this round, you get the next round), has a negative effect on enjoyment, social bonding, and intentions to interact in the future.

## Background

Social experiences enhance consumer welfare (Kahneman & Deaton, 2010). Researchers have found that *what* consumers spend money on impacts their happiness. Specifically, experiential purchases tend to provide greater satisfaction than material purchases (Gilovich, et al., 2015). Less attention, however, has been devoted to *how* consumers pay for these experiences, and the effect this has on well-being.

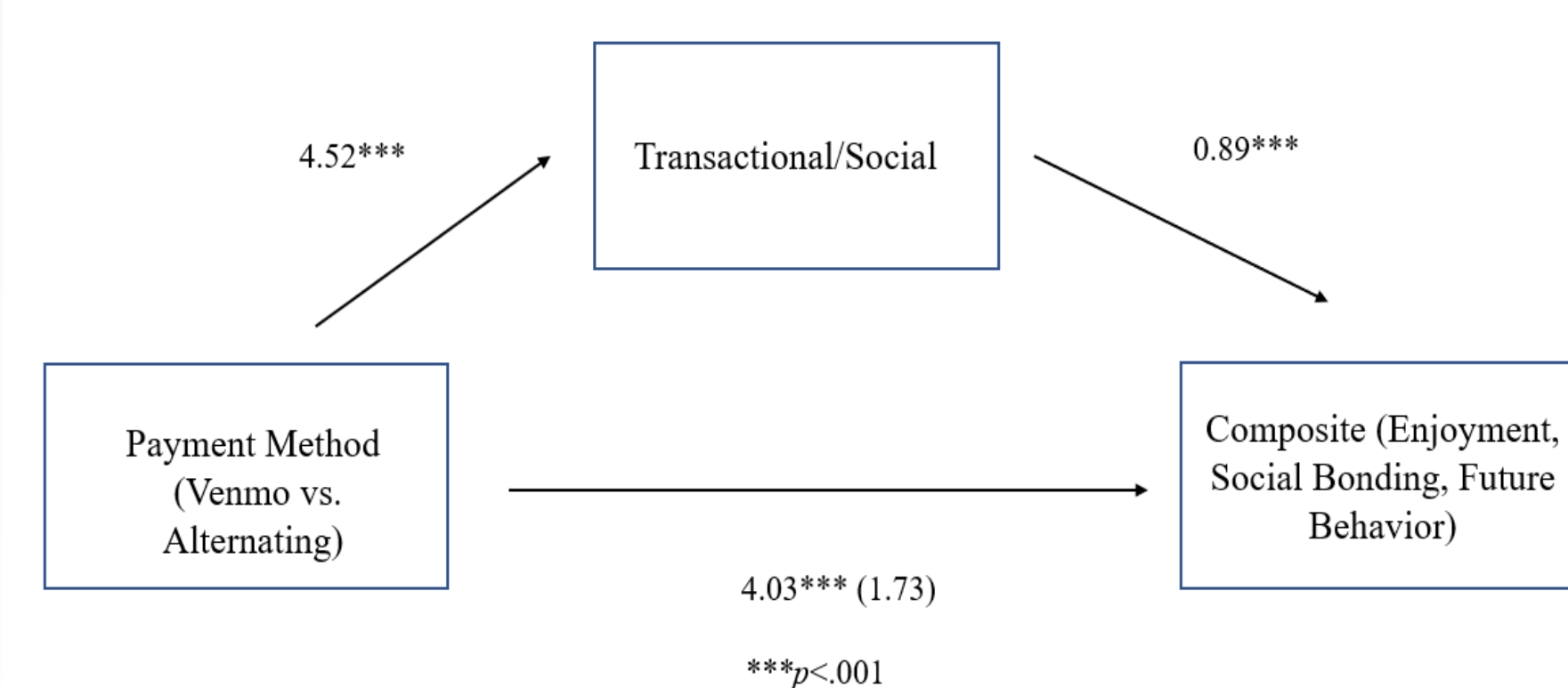
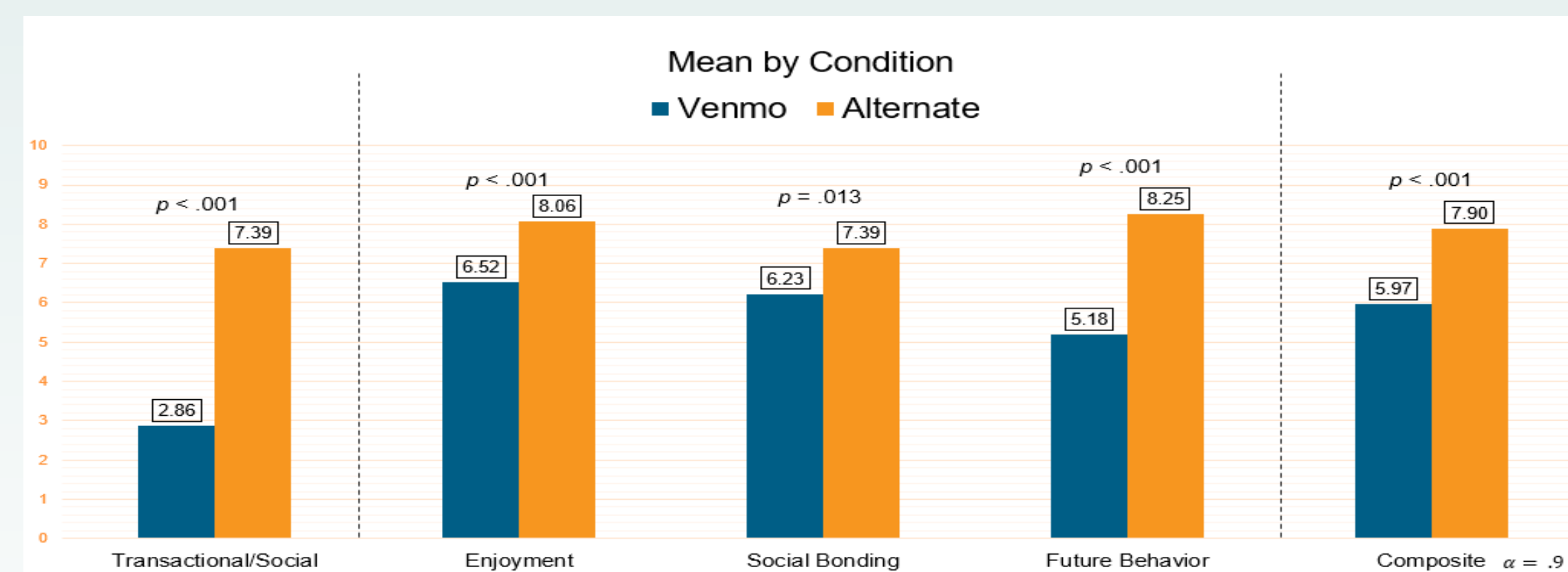
## Theoretical Motivation

- Relationships can be categorized as more transactional or more social (Fiske, 1992)
- Being petty can signal an increased focus on transactionality, thus undermining likability (Kim, Zhang & Norton, 2019)
- Requests can be perceived as relatively more or less transactional, even when considering the very same relational context (Heyman & Ariely, 2004)



## Experiment 1A: Two Friends Reconnect Over Drinks

- MTurk (N = 93)
- Context: Imagine two old friends meet for two rounds of drinks
- IV: Payment method used between parties (Venmo vs. Alternating)
- Mediator: How Transactional vs. Social was the payment method?
- DVs: Predicted Enjoyment, Bonding, Likelihood to continue getting drinks, Composite

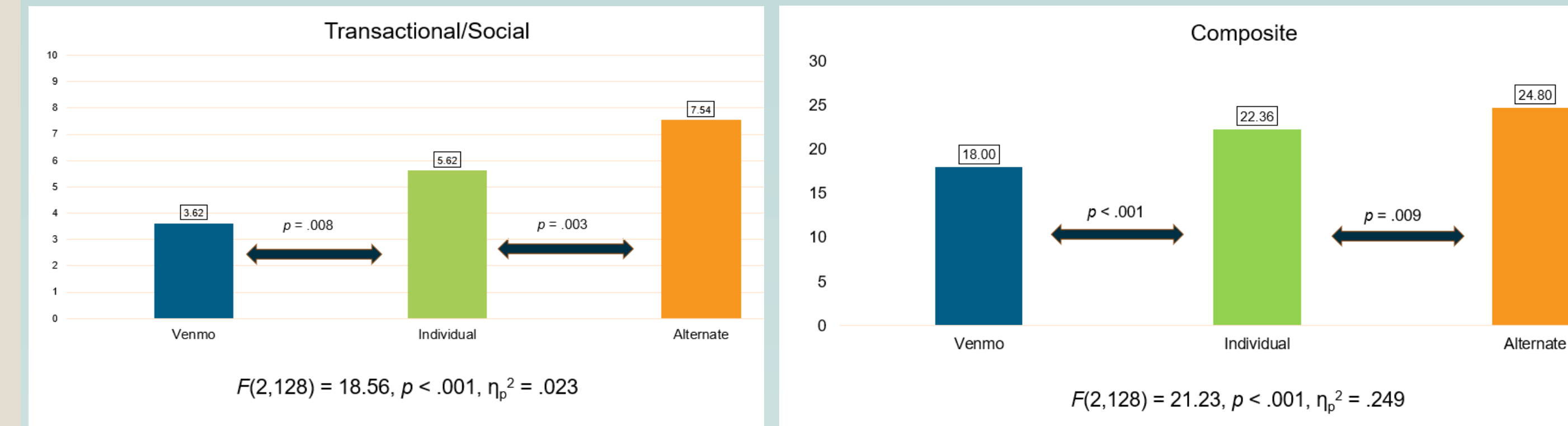


The mediating role of perceived transactionality on the relationship between payment method and the composite measure. The regression weight in parentheses reflects the effect of payment method when the mediator is included in the regression

Key Takeaway: Payment methods like Venmo can undermine perceptions of a social experience between consumers, compared to alternating payment.

## Experiment 1B: Comparison with Individual Payment

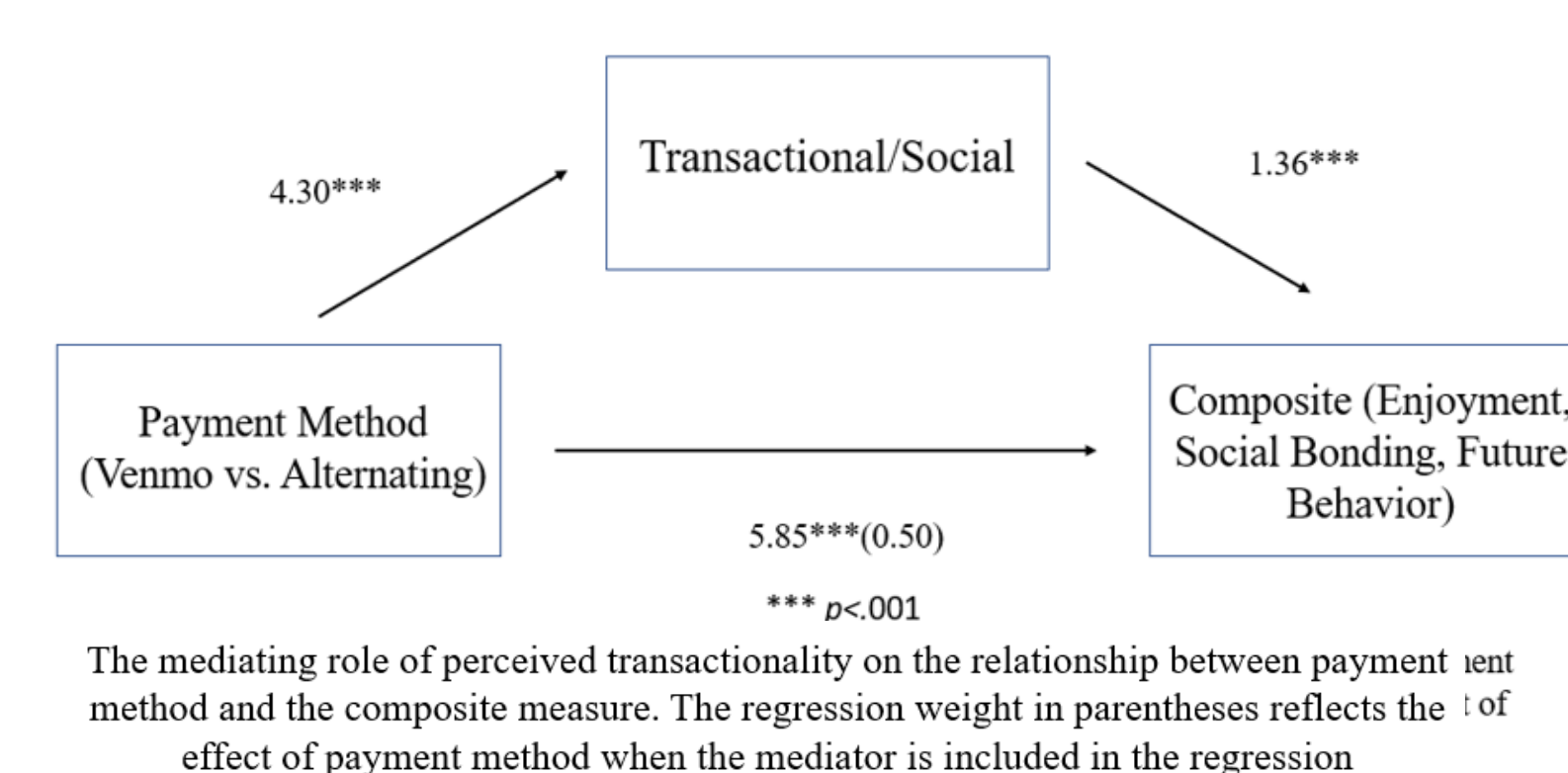
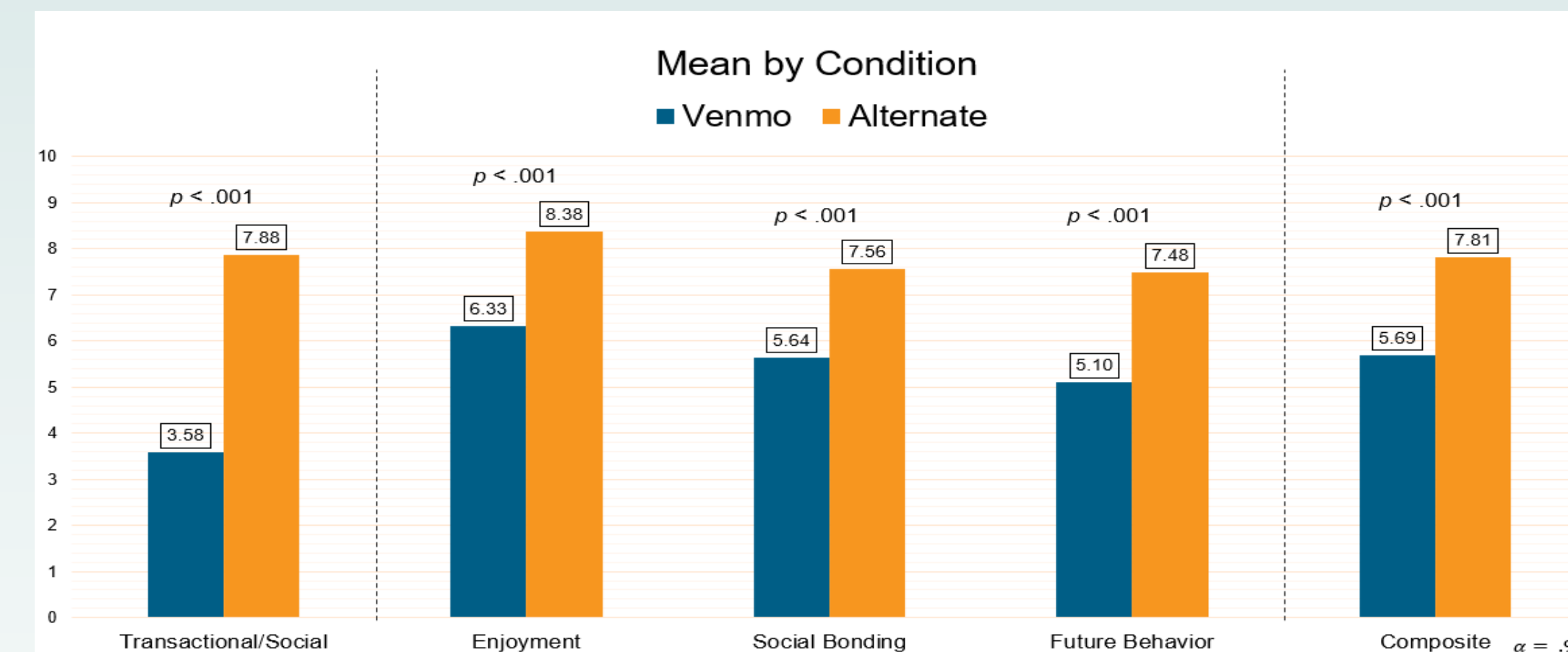
- MTurk (N = 131)
- Context: Imagine two old friends meet for two rounds of drinks
- IV: Payment method (Venmo vs. Individual Payment vs. Alternating)
- Mediator: How Transactional vs. Social was the payment method?
- DVs: Predicted Enjoyment, Bonding, Likelihood to continue getting drinks, Composite



Key Takeaway: Relative to a control condition in which consumers pay for drinks individually, payment methods like Venmo have a negative effect whereas alternating payment has a comparatively positive effect.

## Experiment 2: Bowling with Your Old Friend

- MTurk (N = 93)
- Context: Imagine going bowling with an old friend of yours
- IV: Payment method between parties to pay for two games (Venmo vs. Alternating)
- Mediator: How Transactional vs. Social was the payment method?
- DVs: Predicted Enjoyment, Bonding, Likelihood to continue going bowling, Composite

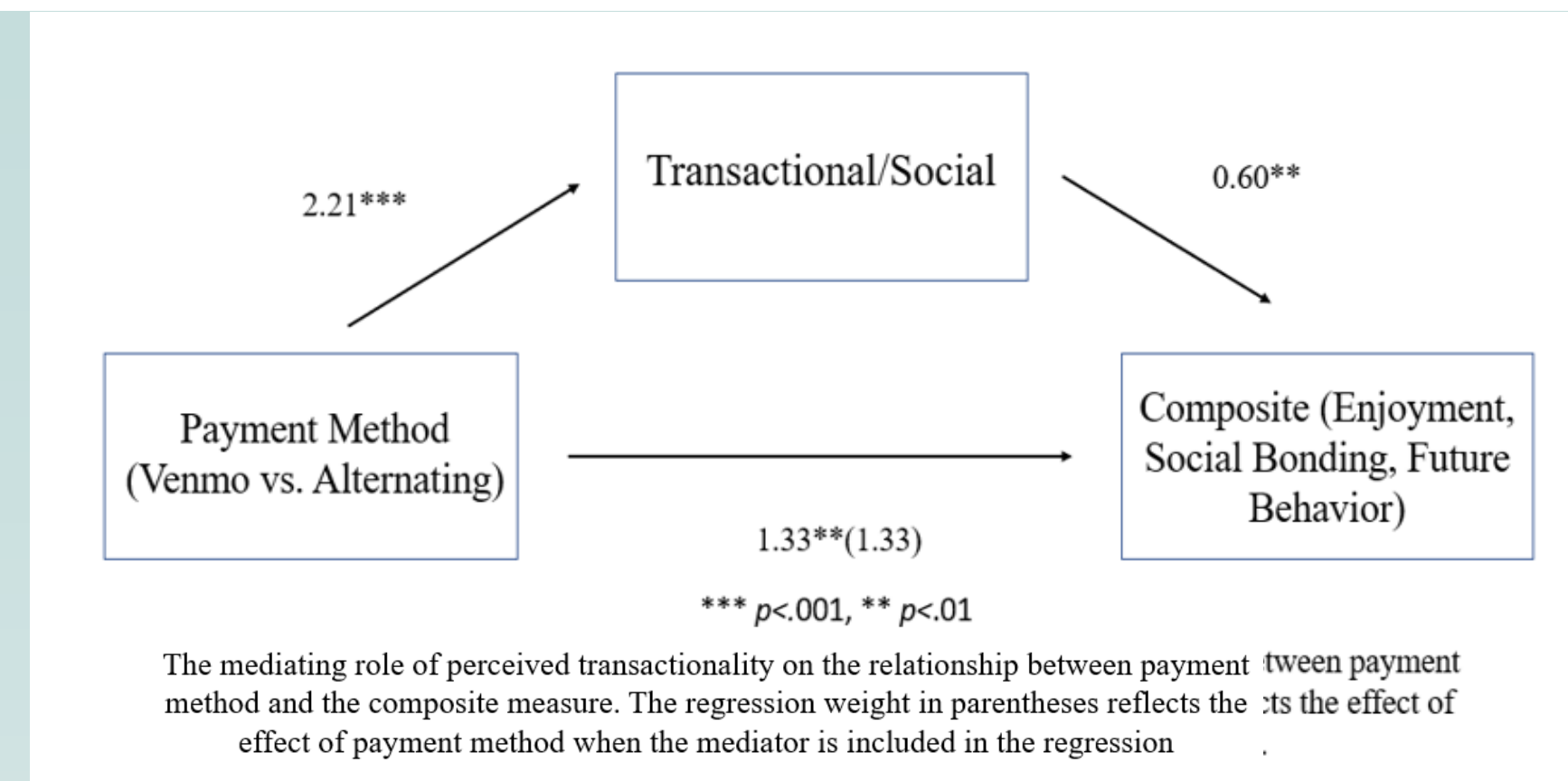
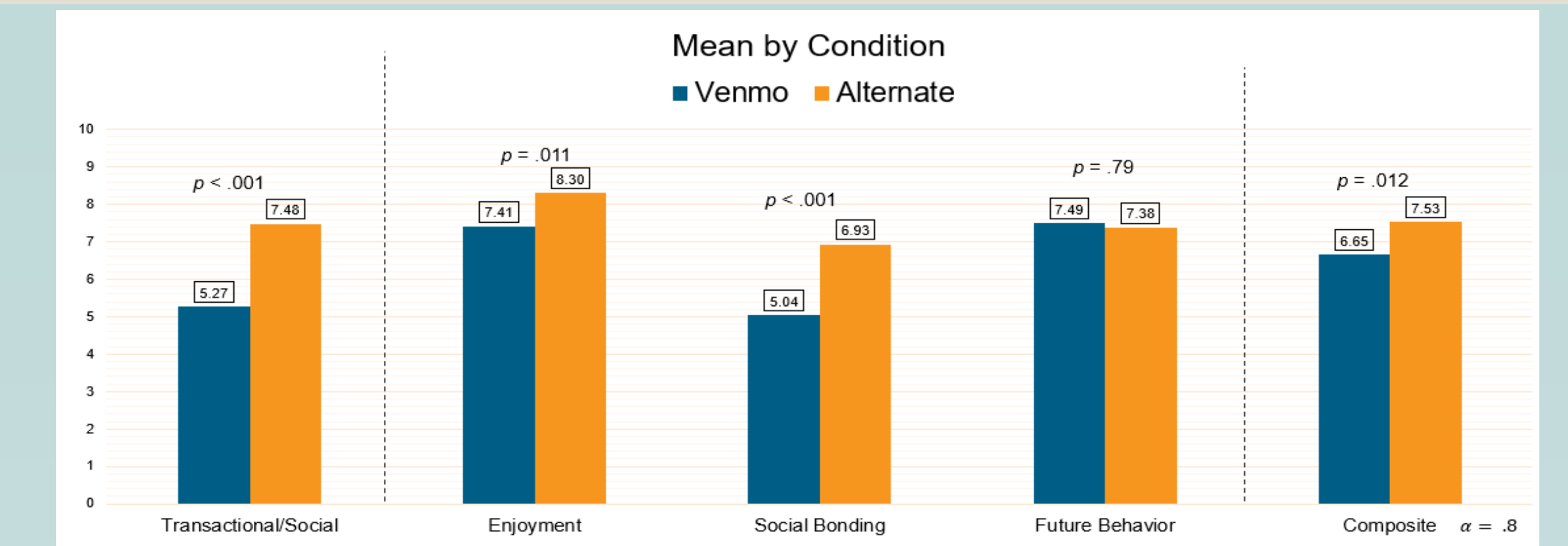


The mediating role of perceived transactionality on the relationship between payment method and the composite measure. The regression weight in parentheses reflects the effect of payment method when the mediator is included in the regression

Key Takeaway: Payment methods like Venmo can undermine perceptions of one's own experiences, even when imagining an experience in another domain.

## Experiment 3: Recalled Experiences

- MTurk (N = 89; social drinkers)
- Context: Recall the last time you got drinks with a friend and paid in a certain manner
- IV: Payment method (Electronic payment vs. Alternating)
- Mediator: How Transactional vs. Social was the payment method?
- DVs: Recalled Enjoyment, Bonding, Likelihood to continue getting drinks, Composite

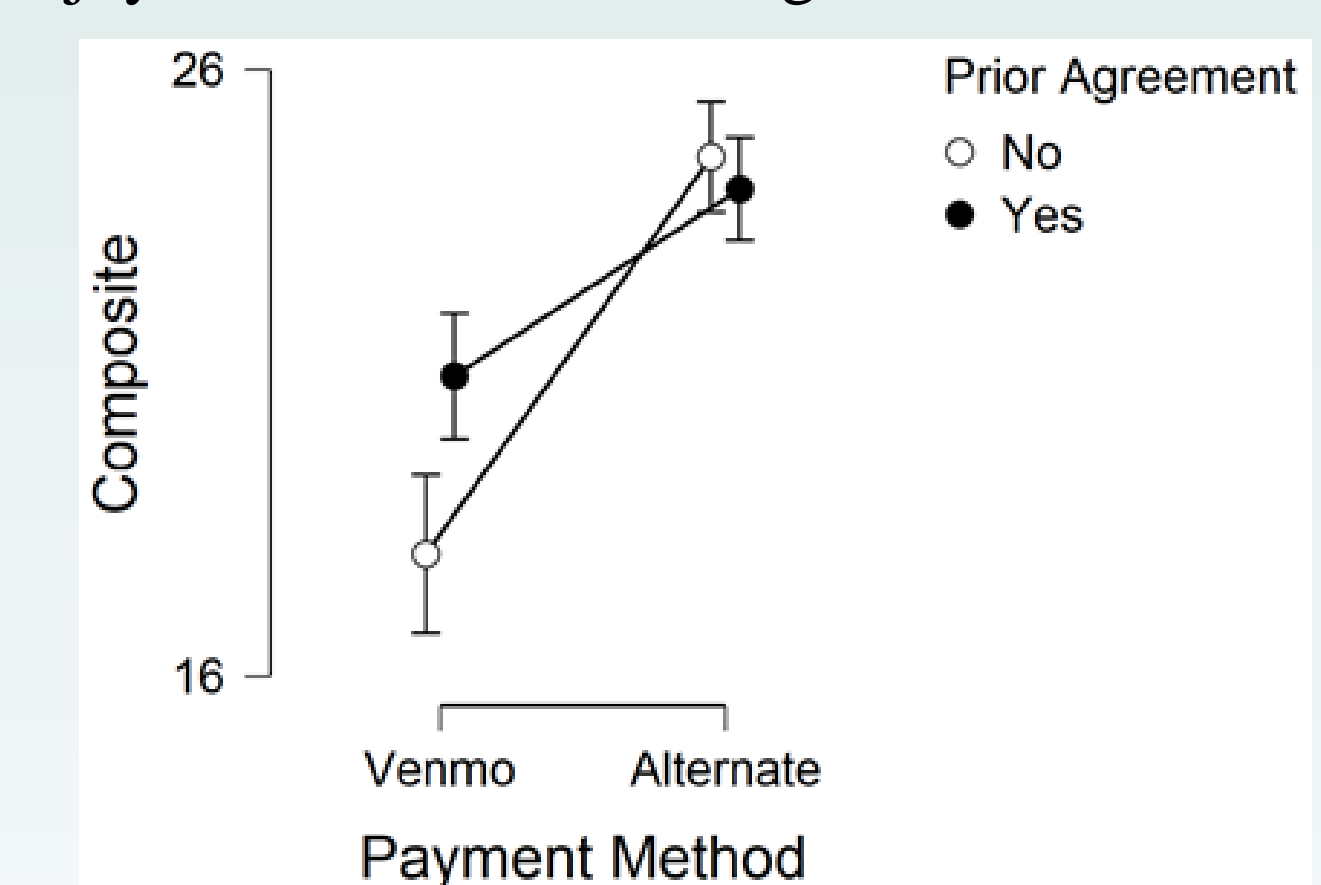


The mediating role of perceived transactionality on the relationship between payment method and the composite measure. The regression weight in parentheses reflects the effect of payment method when the mediator is included in the regression

Key Takeaway: Payment methods like Venmo can undermine beliefs about a real recalled experience between consumers, compared to alternating payment.

## Experiment 4: The Potential Moderating Role of Prior Agreement

- MTurk (N = 347), preregistered on Aspredicted.org
- Context: Imagine two old friends meet for two rounds of drinks
- IV: 2 Payment method (Venmo vs. Alternating) x 2 Explicit prior agreement (No vs. Yes)
- Mediator: How Transactional vs. Social was the payment method?
- DV: Composite (Enjoyment + Social Bonding + Likelihood to continue getting drinks)



Key Takeaway: Prior agreement makes payment methods like Venmo feel less transactional, but alternating payment still facilitates a more positive predicted social experience compared to using Venmo with a prior agreement.

## References

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