

Big ticket: You'll spend more thinking about your bank account than about your wallet

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It has long been assumed that consumers are good judges of affordability, but a new study reveals that how much you're willing to spend is influenced by whether you think about a larger pool of resources (such as your bank account) or a smaller pool (the cash in your wallet).

Through a series of four experiments, researchers found that this resource assessment also applies to food and time. Counting calories? You're more likely to eat that slice of cake if you think about how many calories you have allotted for the week, rather than just for the day.

“Whether a person can afford a particular unit of consumption depends not just on the price of consumption, but whether one can afford the purchase as well,” explain Carey K. Morewedge (Carnegie Mellon University), Leif Holtzman (Digitas, Boston), and Nicholas Epley (University of Chicago). “We suggest that thinking of large resource accounts makes the objective cost of an item seem subjectively less expensive by comparison, thereby increasing the likelihood of consumption.”

In other words, people will spend more on an item when it seems like a small expense in the grand scheme of things. For example, in one study, shoppers entering a market were asked either about the contents of their wallet (to get them thinking on a smaller scale) or about whether they had specific types of financial accounts.

Those who were asked to think on a larger scale about their financial accounts (e.g., their checking and savings accounts) spent 36 percent more at the local market than shoppers asked to think about the contents of their wallet. In another study, participants took 118 percent more M&M's from a bowl when subtly reminded of the impact the candy would have on their weekly rather than their daily caloric intake.

The researchers explain: “Irrespective of one’s total wealth, the very amount of resources in a specific account influences how freely resources are spent. For example, travelers may spend money more liberally while on vacation than when at home because travelers carry more cash than is their usual custom.”

Citation: Carey K. Morewedge, Leif Holtzman, and Nicholas Epley, “Unfixed Resources: Perceived Costs, Consumption, and the Accessible Account Effect.” *Journal of Consumer Research*: December 2007.

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