

Budget first, thank yourself later: Are realistic consumers more successful?

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Every time you run errands, you make decisions about what to get done and how much to spend. How do you make these decisions when there is just not enough time or money to accomplish everything you want?

According to a new study in the *Journal of Consumer Research*, creating a budget will help you prioritize and make you more productive.

"Budgeting makes it very clear how much you have to spend, making it difficult to deceive yourself into thinking you can accomplish more than you can. This forces you to make tradeoffs sooner, before the situation is too dire," write authors Philip M. Fernbach, Christina Kan, and John G. Lynch Jr. (all University of Colorado).

The authors divide [consumers](#) into [efficiency](#) planners and priority planners. Efficiency planners try to stretch resources by using coupons, buying in bundles, or doing all their shopping in one trip. Priority planners, on the other hand, make direct tradeoffs on what they will buy or where they will go, cutting excess items and stops before leaving the house.

In one study, one group of consumers going on vacation created budgets before their trip and monitored their expenses while another group did not. After the trip, both groups were asked to report on how they managed their finances during the trip. Consumers who had budgeted beforehand reported more priority planning and fewer dysfunctional behaviors such as overspending and impulsive shopping.

What you decide to forgo is often just as important as how hard or efficiently you work to achieve a goal. Unfortunately, all too often, prioritization comes to mind when it is already too late. Consumers should be mindful of this and avoid getting stuck in the efficiency trap. Efficiency may feel right in the moment but is counterproductive if it comes at the expense of more important priorities.

"Our results provide some guidance for people who want to improve at planning their time or money. You should create budgets and make hard choices early and often. If you find yourself in a tight spot, fight the tendency to react dysfunctionally. Pick the best of what seem like bad options relative to your original goals and accomplish what you can as efficiently as possible," the authors conclude.

More information: Philip M. Fernbach, Christina Kan, and John G. Lynch Jr. "Squeezed: Coping With Constraint Through Efficiency and Prioritization." *Journal of Consumer Research*: February 2015.

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