

Research suggests budget reminders cause unexpected consumer behavior

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Consumers might be more naughty than nice when shopping this holiday season and facing a "should I or shouldn't I" purchase.

Soon-to-be-published research from the University of Wyoming suggests monetary reminders—or nudges—telling [consumers](#) to stick to their budgets might lead to unexpected results from some consumers. Additional research has found most [people](#) in a study could not accurately say how much they actually spent while shopping, perhaps willingly ignoring budgets.

The research suggests budget reminders had no effect on those buyers who spend too much anyway, and made consumers who spend too little become even more Scrooge-like, says Chian Jones Ritten in the Department of Agricultural and Applied Economics.

Such monetary nudges could be digital budgets or any type of reminder, says Ritten, who collaborated with researchers Linda Thunstrom and Ben Gilbert, both in the Department of Economics at UW.

The study spun off from consumer behavior research that asked, if given an option to buy honey produced anywhere or buy honey from Wyoming, how much more subjects were willing to pay for Wyoming honey.

"But, then we were interested in whether different types of consumers behave differently when asked about their willingness to pay," she says.

Consumers were classified as unconflicted consumers, who are satisfied with their own [spending](#) level; spendthrifts, who spend too much for their own liking; and tightwads, who spend too little for their own liking.

The researchers provided the nudge.

"Our wording was 'Remember, the less you spend in this study, the more money you would have for other purchases,'" Ritten says. "We were expecting that those who spend too much would decrease their amount of spending in the study."

But, spending by those who spent too much remained unchanged, while those who kept a tight rein on money spent even less.

The results may question the value of budget programs.

"The emphasis we put on just reminding people—over and over again—to create a budget, to be cognizant of their purchases, might not actually be helping people overall," Ritten says. "Because it might not help those who spend too much, and that is what those are designed for, to keep them within their means."

In the other research, the researchers borrowed receipts from customers leaving a big box store and asked how much was spent.

"We were trying to figure out if people really pay attention to prices and if there are differences among the three groups," Ritten says.

That study is under review, but results show spendthriftiness may induce people to ignore costs.

"What we found out is a very small percentage actually are accurate when it comes to the cost of the [purchase](#) they just made," she says.

"Most people were way off. They didn't pay attention to what they were really spending, and this is particularly true for spendthrifts."

Ritten suggests strategic ignorance may be at play.

"You have this inner conflict: You want this pleasurable activity like spending more, but you have this other part of you that needs to stick to the budget," she says. "If you can ignore the prices, you can say to yourself 'I might still be sticking to the [budget](#) and can still buy this pleasurable thing.'"

Provided by University of Wyoming

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