

# Splurging after reaching your goal: How and when a used (vs. unused) account affects consumption behavior?

## Executive summary

People frequently make the choice to spend their resources on an item that they may not need, but want (i.e., a non-essential item), or alternatively, to hold onto their resources for something else later. In this research, we examine whether people are more (vs. less) likely to spend their resources from a used (vs. unused) account on non-essential items. By used (vs. unused) account, we mean that some of the resources have been spent in the account already (or not) (e.g., \$500 remaining from an account that had originally \$2000 vs. \$500 in an account with originally \$500).

Across ten studies, we find people are more likely to spend on non-essential items when it is part of a used (vs. unused) account. We show that the used account effect is due to a within-account comparison, such that people compare the amount of money in their account to the amount that they had originally. When people have less remaining in their account relative to what they had originally, this comparison leads them to infer that they have accomplished their purchase goal. As a result, people perceive the remaining amount as “leftover,” and thus are more likely to spend it.

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We find the used account effects are contingent upon the relative proportion of the account remaining, such that people are unlikely to spend their account remaining if there is still a large proportion left in their used account.

Furthermore, people are equally unlikely to spend from their used and unused accounts when they are informed that they have not yet achieved their purchase goal. This is because, with both accounts, people are motivated to spend on goal-consistent items (instead of non-essential items). Relatedly, people are equally likely to spend from their used and unused accounts when considering essential (vs. non-essential) items.

## Introduction and main findings

Imagine that you have a \$100 Whole Foods gift card. Last month, you spent \$90 on this gift card and have \$10 remaining on it. As you are checking out, you find some new products that you might be interested in, such as a new fresh smoothie, costing \$8. While you usually purchase the generic brand of smoothie, this smoothie has a new blended flavor that you like. How likely would you be to purchase this smoothie? Now imagine that, instead of having \$10 remaining on a \$100 Whole Foods gift card, you instead have an unused \$10 Whole Foods gift card. Similarly, you find this new smoothie, costing \$8. In this situation, would you be equally, more, or less likely to purchase the smoothie than in the previous situation?

Consumers frequently have to make the choice to spend their resources on an item that they may not need, but want (i.e., a non-essential item), or alternatively, to hold onto their resources for something else later. As in the previous example, these resources may be in a used account (e.g., some money from the gift card has been used) or an unused account (e.g., no money of the gift card has been used yet).

In this Trends and Issues, we highlight our recent research findings that consumers are more likely to spend their remaining resources on non-essential items from a used (vs. unused) account. We conducted a series of experiments with 13,948 participants across a wide variety of consumption contexts, including credit card reward points, gift cards, and checking accounts. We consistently found that consumers are more likely to infer that they have achieved their purchase goal when there is relatively less remaining in the account. After consumers perceive that they have bought what they set out for, thus achieving their purchase goal, they may consider their remaining resources to be “extra” or “left over.” That is, consumers originally may reserve the resources in their account for essential purchases related to the purchase goal; however, once they reach this goal, they are more likely to

spend the resources on other purchases that are considered less essential; that is items that they want but do not necessarily need.

For example, in one experiment, we asked participants in the used account condition to imagine that they received a \$40 gift card from one of their friends, spent \$32 from the gift card last month, and still have \$8 remaining on their gift card. In the unused account condition, we asked participants to imagine that they received an \$8 gift card and still have \$8 remaining on their gift card. To hold spending constant, we told them that had spent \$32 at the same store last month before receiving the gift card. We then measured the likelihood of participants spending their gift card on a tasty drink at the clothing store. Participants were more likely to purchase the tasty drink with their used gift card than with their unused gift card.

In another experiment, we tested the used account effect with an educational checking account intended for educational and learning expenses. Again, we found participants were more likely to use the left over money to order takeout from their used checking account than from their unused checking account, even though this money was originally intended to be spent only on educational items. Similarly, we observed the same effect in the context of credit card reward programs that participants were more likely to spend their reward points on a non-essential pair of running shoes from their used reward account than from their unused reward account.

It is important to note that this effect is not limited to hypothetical consumption behavior: similar effects are evident in an incentive-compatible online shopping environment where participants entered a lottery and were randomly selected to receive the items they selected in the study. In that study, we assigned all participants 1,000 reward points to redeem products of their interest. Participants had 1,000 reward points in one account in the used account condition. In contrast, in the unused account condition, participants had 900 reward points in one account and 100 reward points in another account. Thus after spending 900 points, those in the used account had 100 points out of 1,000 points remaining in their one account; whereas those in the unused account had an unused 100 points out of 100 points remaining in their second account. We asked all participants to spend 900 points on two essential products valued ranging from \$15 to \$20 (e.g., Wooden Wood Clock \$15.99, and Etched Wooden Coaster Set \$19.98). We then reminded them of their remaining reward points and measured how long they held onto their remaining 100 reward points when shopping for a non-essential item valued at about \$2 (e.g., Health Warrior Chocolate Peanut Butter Chia Bar \$1.29, and Suave Antiperspirant Deodorant

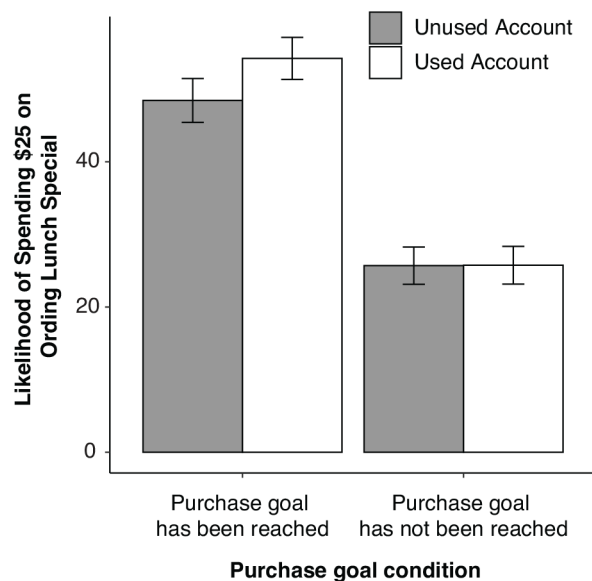
\$1.99). The longer participants hold on to their resources, the more unwilling they are to spend these items. Consistent with our previous findings, participants spent their reward points in the used reward account faster than those in the unused reward account.

Furthermore, we also find that the relative proportion of the account remaining influences how consumers spend from the used (vs. unused) account, such that they are unlikely to spend when there is still a large proportion left in their account. We reveal at a continuous level that as the relative amount remaining in the used account decreases, consumers are increasingly more likely to spend the resources in the account.

Importantly, we illustrate supportive evidence that consumers infer that they have reached their purchase goal when they view a used account. This is especially likely the case when consumers have not used their account in a while to remember how they spent it. However, if it is made salient that consumers did not reach their purchase goal with a used account, they are unlikely to spend from the used account on non-essential items.

For example, in one experiment, we asked half of the participants to imagine that they received one \$200 gift card from a department store known for selling stylish sunglasses

that they liked (used account condition). They were excited to receive the gift card so that they could buy these sunglasses. They further learned either (1) that they ended up spending \$150 from this gift card on some sunglasses as they planned and now they have \$50 remaining on this gift card (purchase goal reached) or (2) the sunglasses they liked were not in stock, so they ended up spending \$150 from the gift card on some luxury clothes that they did not need, rather than spending it on some sunglasses as they planned (purchase goal not reached). We asked the other half of the participants to imagine that they received two gift cards from a department store that is known for selling stylish sunglasses that they liked, one \$150 gift card and one \$50 gift card (unused account condition), and they had either reached their purchase goal or not as in the used account condition. We then asked how likely participants would spend \$25 from their gift card to order a lunch special from their favorite café. As predicted, participants were more likely to spend \$25 on the lunch special from their used (vs. unused) gift card when they had reached their purchase goal. However, when they were informed that they had not reached their purchase goal, participants in both used and unused account conditions were unlikely to spend \$25 on the lunch special.



Finally, we find that what consumers are considering spending their resources on also influences the used account effect. Specifically, when consumers consider an essential item that is consistent with their purchase goal, they are equally likely to purchase the item, regardless of the amount they have relatively left in the account. On the other hand, when consumers are considering a non-essential item that is inconsistent with their purchase goal, they are more likely to spend resources from a used (vs. unused) account. This is because they are more likely to feel that they can pursue a different goal and spend the account remaining on non-essential items.

## Implications

Our research has a series of practical implications for marketers as well as consumers who are considering spending reward points, or money on gift cards and in checking accounts.

Reward programs usually inform their consumers of how many reward points they currently have, but do not mention how many reward points that consumers have spent in the past. If these companies hope to increase spending behavior, the results of our research suggest that they could highlight how many points the consumers have already spent. In doing so, consumers are likely to perceive their account as “used,” having relatively less, and are more likely to spend additional points on non-essential items.

Relatedly, marketers can also highlight spending within different windows of time to encourage or discourage spending. For example, imagine a consumer has accumulated 10,000 reward points, has spent 7,000 reward points over a

year, but has not yet spent any points this month. Companies may encourage consumption by highlighting the consumers’ spending over the past year, leading the account to feel used (e.g., 7,000 points have been spent this year, and 3,000 points are available), or may discourage consumption by highlighting the lack of consumer spending over the past month (e.g., 0 points have been spent so far and 3,000 points are available).

For consumers who want to save money, our research suggests that they should be cautious about spending from a used account. Consumers are likely to waste their resources if they are in a used (vs. unused) account, spending their resources on items that they might not need, and regret later. In order to reduce this tendency, consumers may want to plan in advance how they want to spend their resources. For example, consumers could plan a few tasks that they need to complete for the week and work on these tasks when they have spare moments of time or plan which reward they would ultimately like to redeem their points on. This may prevent the tendency for consumers to spend their resources on non-essential items.

## Conclusion

Taken together, the findings of this research would allow us to better understand a common, external, factor that influences consumer spending behavior: the extent to which an account has been used relative to what the account originally has. This research could make a series of practical implications to improve consumers’ financial well-being, such as how to frame or display the amount of money in an account to best help consumers save and curb unnecessary spending.

## About the authors

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