

Refunded Money is More Likely to be Spent

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Introduction

- How is willingness to spend influenced by the transaction history of the money?
- This research finds that money refunded from a previous purchase feels like it is released from its original obligation, and therefore feels free to spend.

Study 1

Refunded money is more likely to be spent than money without the same transaction history.

Design: Participants (N = 246) imagined receiving \$20 for returning a phone case (refund condition), for winning a lottery (windfall condition), or for working (payment condition). (Pre-registered at <https://aspredicted.org/blind.php?x=dm8zh8>)

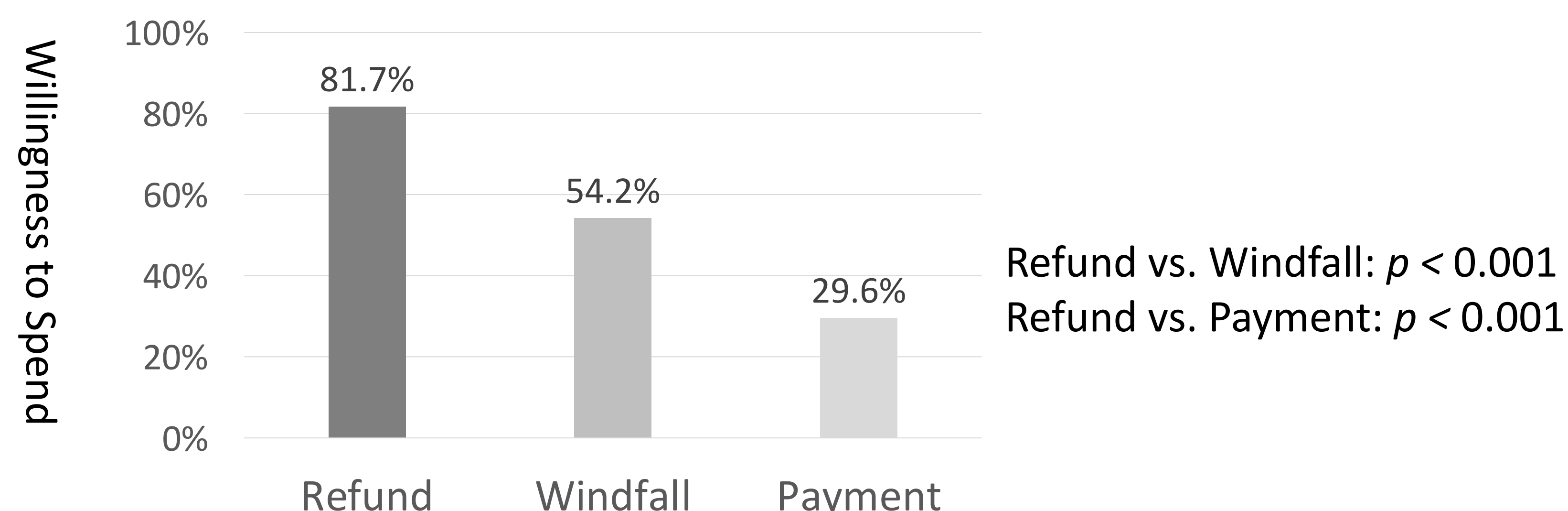
Measures

Willingness to Spend

Imagine that, on your way home from getting your refund/payment/prize money, you walk by your favorite clothing store and see a shirt for \$20 that you really like. Would you buy the shirt for \$20?

Yes, I would buy the shirt. / No, I would not buy the shirt.

Results: Willingness to spend was highest for refunded money.



Notes:

Two other studies used similar scenarios and found that:

- Money refunded from a previous purchase was more likely to be spent than a credit card reward ($p = 0.014$).
- Money refunded from a previous purchase was more likely to be spent than a tax return ($p < 0.001$).

Study 2

Refunded money is more likely to be spent because it feels free from obligations.

Design: Participants (N = 400) imagined receiving \$20 for returning a shirt (refund condition), or for completing HITs (payment condition). (Pre-registered at <https://aspredicted.org/blind.php?x=mq5vg7>)

Measures

Willingness to Spend

With the \$20 refund/payment you received that was deposited into your checking account, would you buy headphones for \$20?

Feeling of “Free from Obligations” ($\alpha = 0.82$)

To what extent would you feel like the money is available to you for spending?

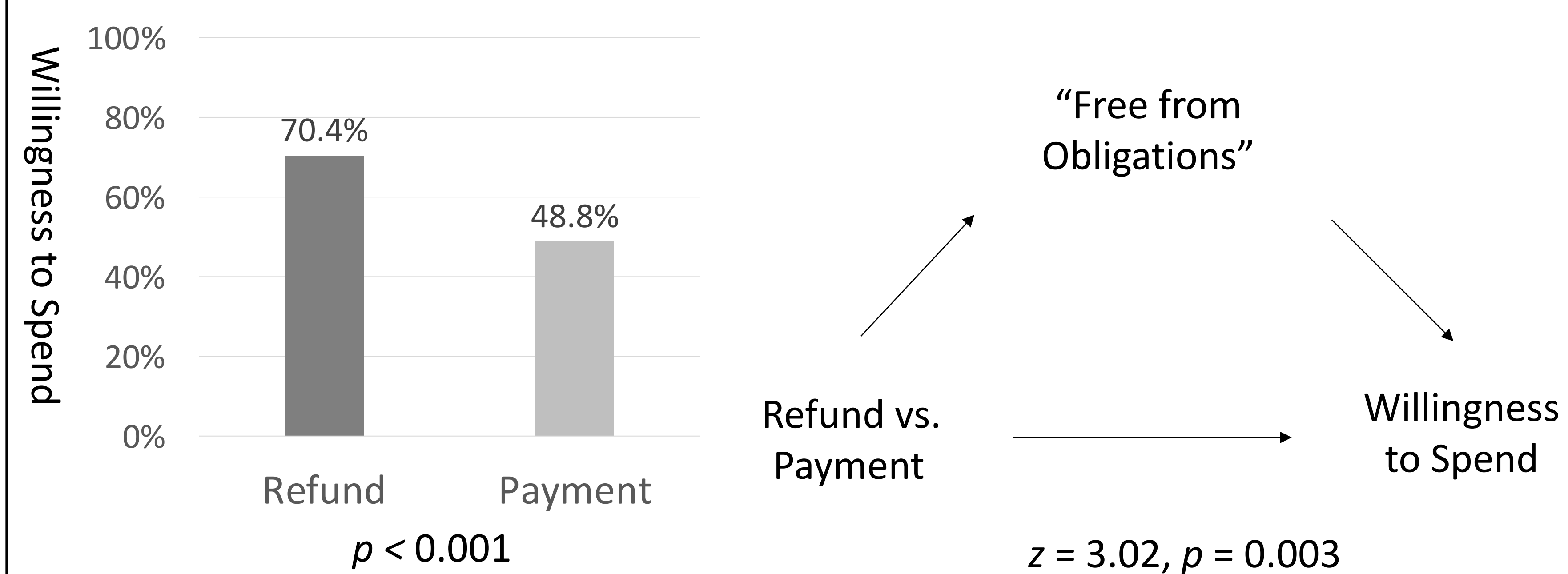
To what extent would you feel free to spend the money on anything you wanted?

To what extent would the \$20 seem free from financial obligations?

Study 2

Results

- Refunded money was more likely to be spent than payment.
- Refunded money felt freer from obligations than payment. This feeling mediated the effect of transaction history on willingness to spend.



Study 3

When the feeling of being “free from obligations” is attenuated, refunded money is less likely to be spent.

Design

2 (transaction history of money: refund/payment) x 2 (location of deposit: checking account/retirement savings account), N = 842
(Pre-registered at <https://aspredicted.org/blind.php?x=5zy5am>)

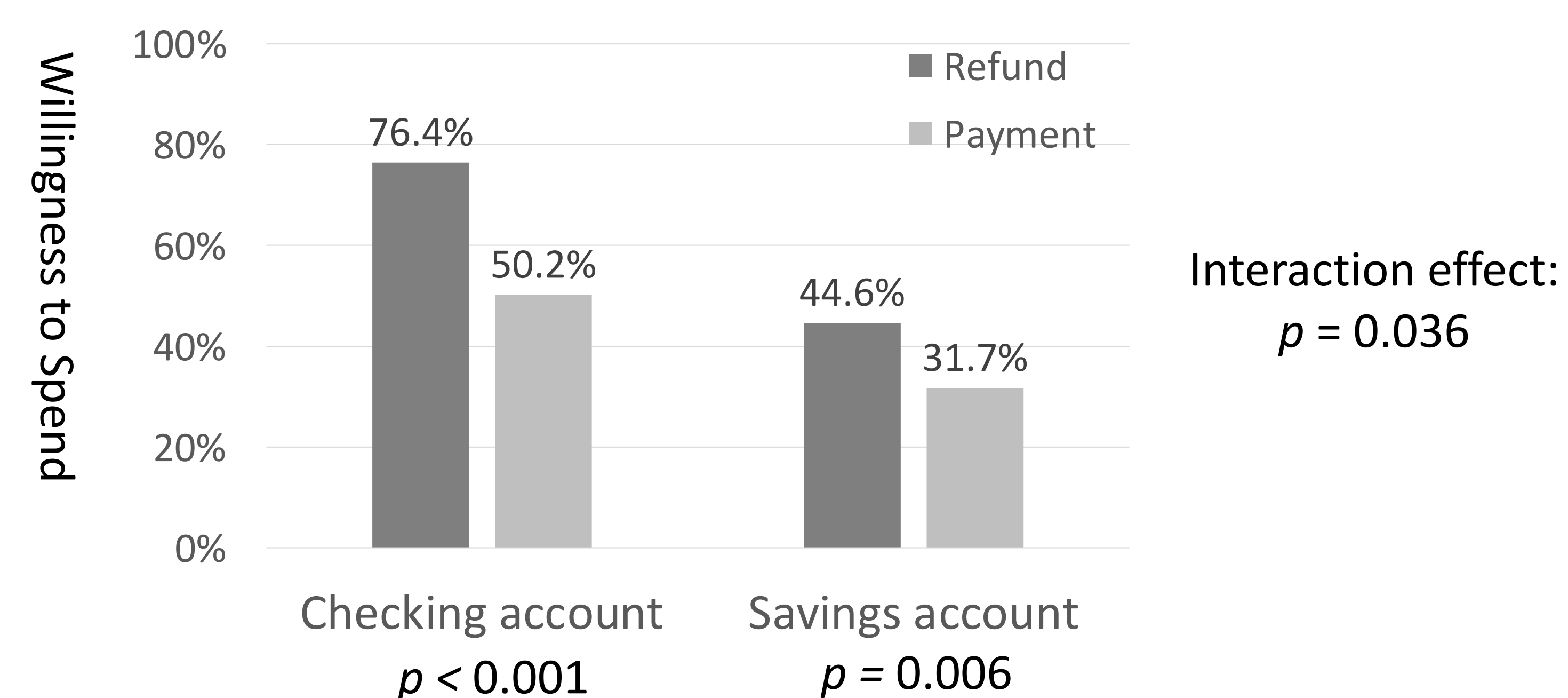
Measures

Willingness to Spend

With the \$20 refund/payment you received that is now in your checking account/the savings account that you have set aside for retirement, would you buy the headphones for \$20?

Results

- Refunded money was more likely to be spent than payment when the money was in the checking account.
- The difference was attenuated when the money was in the retirement savings account.



Discussion

- We find that money refunded from a previous purchase is more likely to be spent than non-refunded money.
- This is because refunded money is released from its original obligation. The feeling of being “free from obligations” provides impetus to spend the money again.