

Refund Psychology

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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 = 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=r7qp9a>)

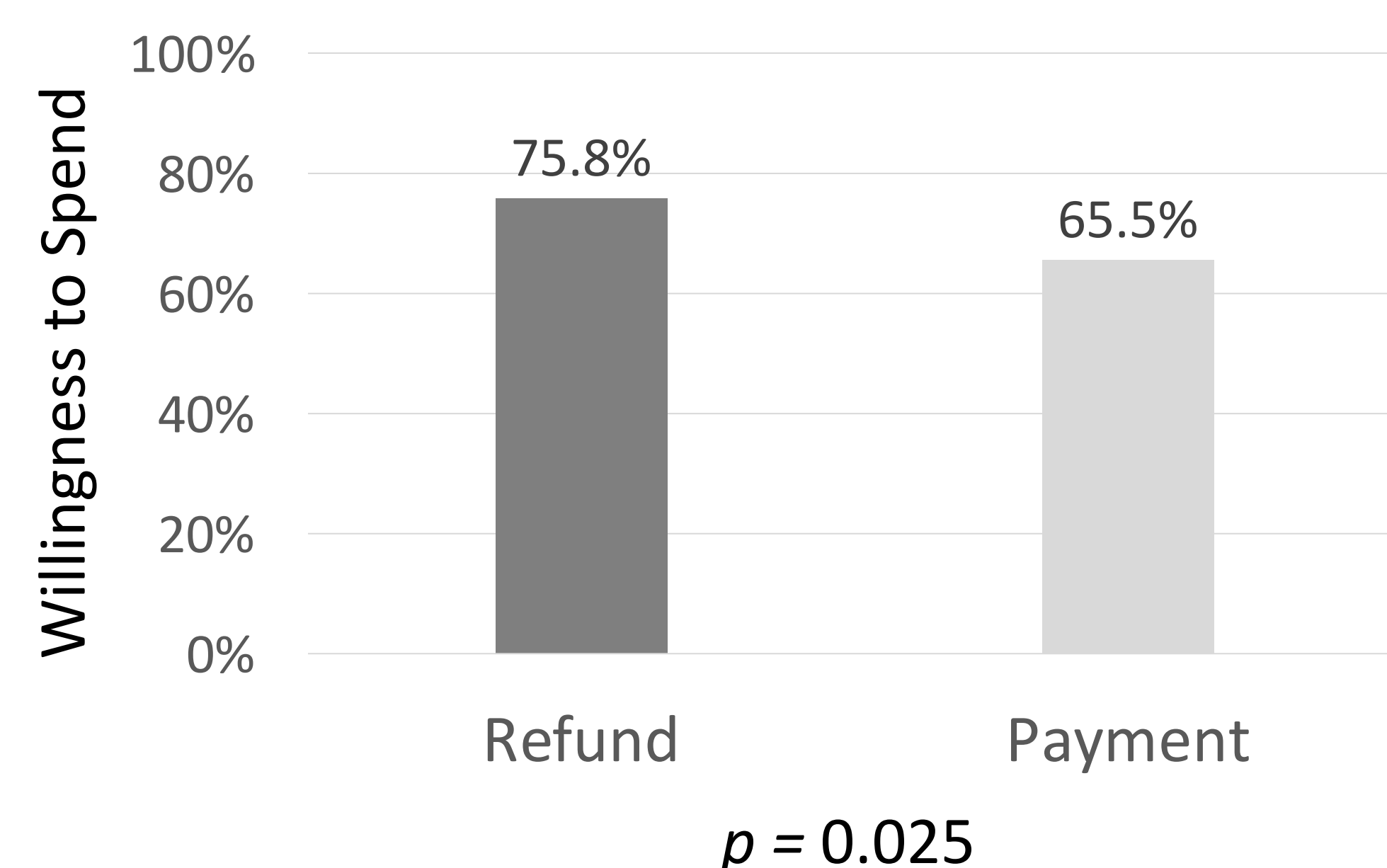
Measures

Willingness to Spend

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

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

Results: Refunded money was more likely to be spent than payment.



Notes:

Another study used similar scenarios and found that: Money refunded from a previous purchase was more likely to be spent than a tax return ($p = 0.002$).

(Pre-registered at <https://aspredicted.org/blind.php?x=it29a6>)

Study 2

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

Design: Participants (N = 600) imagined receiving \$20 for returning a shirt (refund condition), or for completing HITs (payment condition). (Pre-registered at <https://aspredicted.org/blind.php?x=v6qd4x>)

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” ($\alpha = 0.85$)

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

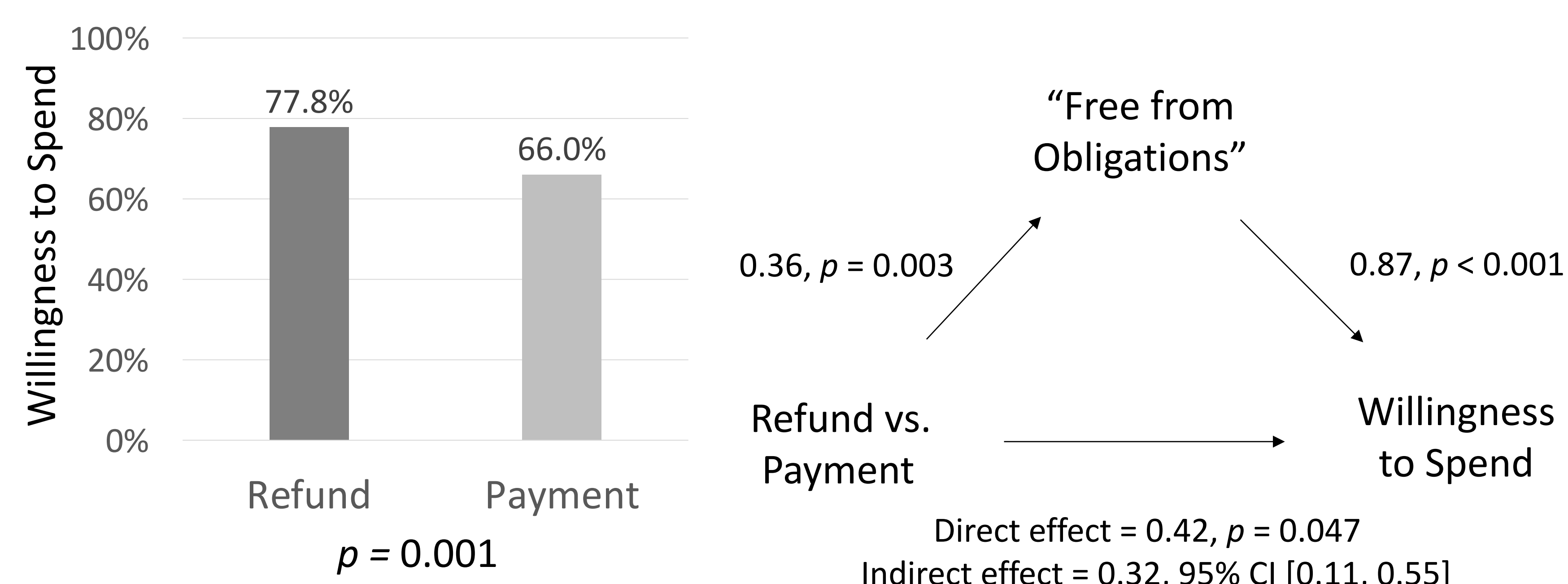
To what extent would you feel free to spend the money on anything you wanted?

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 refunded money is deposited into a savings account, it no longer feels “free from obligations” and the refund-payment difference shrinks.

Design

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

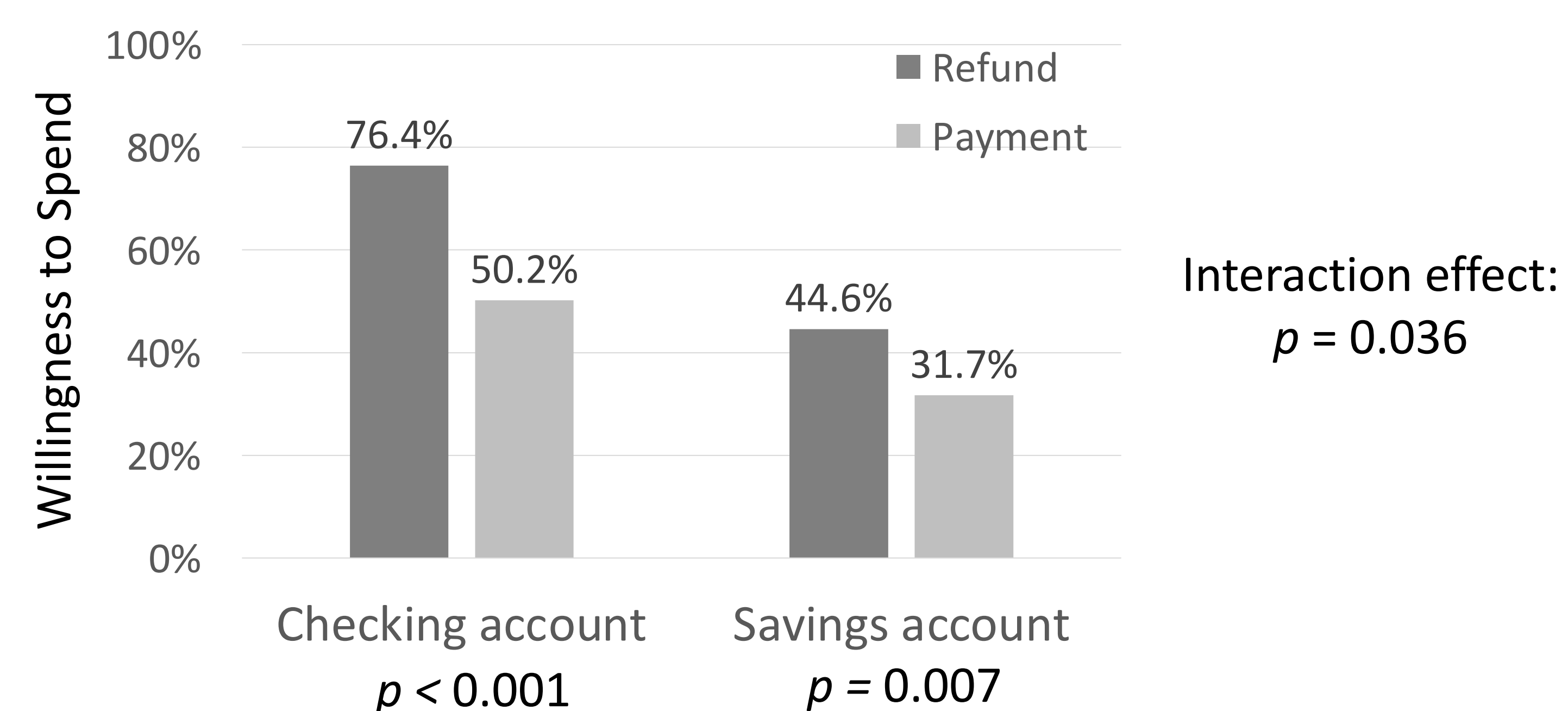
Measures

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 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.