Mental Accounting Failures: The Case of Exceptional Consumption
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Expenses fall along a continuum from ordinary (common or frequent) to exceptional (unusual or infrequent), with many of the largest expenses (e.g., electronics, celebrations) being the most exceptional. In the current project, I show that consumers are fairly adept at budgeting and predicting how much they will spend on ordinary items, but they both underestimate their spending on exceptional purchases overall and overspend on each individual purchase.

Based on the principles of mental accounting and choice bracketing, I show that this discrepancy arises in part because consumers have difficulty categorizing and tracking exceptional expenses. Specifically, consumers are less likely to draw connections between exceptional (versus ordinary) items and other items they purchase, and less likely to believe that consumption of these items meaningfully impacts their budgets. The current research extends findings beyond the domain of money and financial budgeting by drawing parallels to food and caloric budgeting, providing evidence that exceptional items create a common set of challenges for consumers across contexts.

I conclude by examining how we can harness our understanding of exceptional items to help improve outcomes for consumers. First, I provide evidence from both lab and field settings that exceptional framing of an identical charitable opportunity increases willingness to donate. Second, I provide evidence that an intervention that helps consumers consider their spending on exceptional items as part of a larger set of purchases reduces spending on these products.