

How to avoid overspending: uncover the psychology behind why people buy

Between [40% and 80%](#) of purchases are impulse buys. Marketers often get blamed for this, but while marketing tactics may be [cynical, manipulative, and even deceptive](#), shoppers are generally wise to their ways.



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Of greater concern, is the fact that up to [95% of our daily decisions](#) are potentially determined by [impulsive, unconscious processes](#). All too often, consumers are ignorant of the [social influences](#) and [psychological states](#) that make them vulnerable shoppers. In fact, most people entertain a costly [illusion of invulnerability](#) and consider themselves especially shrewd shoppers.

You can avoid spending too much by becoming more mindful of the factors that influence your shopping behaviours. Here are six factors which could cause you to overspend, along with some tips about how to counteract them.

1. Social pressure

Human beings are very susceptible to social pressures. The cooperative and competitive behaviours, which have ensured our survival as a species, also nudge us to spend more than we need.

For example, the social norm of reciprocity obligates us to exchange gifts and good deeds at Christmas.

Competition also fuels consumption: sales reinforce a sense of scarcity, and use time constraints to provoke a fear of missing out among shoppers – even when they’re buying online. Flash sales – such as Black Friday – create a herd mentality, which can provoke panic buying, hysteria [or worse](#). Being aware of these pressures will minimise their effects and allow you to maintain a sense of perspective.

2. More abstract money

The concept of money is a shared myth, powered by the human imagination. Our [imagination has been instrumental](#) in the rapid development of the species, allowing people to swap pieces of paper and bits of metal for things they want. From notes and coins to debit and credit cards, and most recently phones and Fitbits, the human imagination accommodates increasingly abstract forms of money. This is dangerous.

These new forms of money ease the “pain of paying”, reducing the level of guilt we feel when parting with money. It temporarily hides the financial repercussions of our purchases (the lower bank balance or lighter wallet). This leads people to splurge without keeping track of the true financial costs of their decisions.

Using cash when shopping will increase the pain of paying and make you more sensitive to how much you're spending. This, in turn, will ensure that you only spend money on the items you really want.

3. Decision fatigue

Research [suggests that](#) people have limited reserves of willpower. As we make decisions throughout the day, this reserve becomes exhausted, resulting in "resource depletion". [Resource depletion](#) causes people to act impulsively. Doing shopping early in the day, and avoiding other sources of stress, such as big crowds, will minimise the risk of resource depletion.

4. Mindsets

Psychological states known as "[mindsets](#)", which influence perceptions and decision making, can also make people more likely to spend. They occur outside of our conscious awareness when the thought processes we use in one situation are carried over and used to process information in the next.

Thinking positively in one situation can predispose a person to think positively in an unrelated situation – for example, generating supportive thoughts about giving to charity might prime a person to have positive thoughts about the bottle of detergent they see in an ad break a few minutes later. This makes them more likely to buy it.

Mindsets also influence shopping goals. People with a "deliberative mindset" are open-minded and likely to review all their options, while people with an "implemental mindset" are more close-minded and goal-focused. An implemental mindset reduces procrastination and focuses people to pursue their buying goals. These goals could be explicitly stated in a shopping list or even activated unconsciously.

The implemental mindset can be dangerous because it creates shopping momentum. This is when buying one thing makes you more likely to buy another since your goal-focused mindset remains active even after you bought what you intended. This is one of the reasons why people emerge from shopping centres burdened down with several bags, having gone in to buy one item.

Unfortunately, [switching between different mindsets](#) can deplete your mental resources and cause you to spend more. Making rules to guide your decisions before you go shopping can counteract the effects of these mindsets and reduce the risk of [shopping momentum](#).

For example, telling yourself that if a product is below a certain price, you will buy it, but if it costs more, you will not. Making a list and setting a budget will help you remember the old adage, "it is not a bargain unless you need it".

5. Making comparisons

Shopping is essentially a three-step process. First, you ask yourself, “do I want to buy something?”; then, “which product is the best?”; and finally, “how will I buy the product?”. But when people consider two possible purchases, it induces a “[which-to-buy](#)” mindset, which primes them to skip the first question, and makes them more likely to buy something.

6. The halo effect

Using mental shortcuts help us navigate everyday life more efficiently. Yet these shortcuts [can also lead to](#) incorrect assumptions and costly mistakes. In the context of shopping, not all assumptions are bad. Indeed, some assumptions are central to marketing. For example, branding works because we assume that products under the one brand have a similar level of quality.

But other assumptions are less reliable. The “halo effect” occurs when we make incorrect assumptions, which lead us to think positively about something. So, the eye-catching deals we see in the front window often make us assume that the other in-store deals are equally valid and generous.

To counteract the halo effect, you need to come prepared. Knowing the recommended retail price (RRP) of products will ensure that you are not influenced by high anchor prices that give the impression of deep discounts. Remaining sceptical and calm will improve your decision making and reduce the risks of cognitive bias. This will likely be good for society, the environment and your pocket.

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