

Divergent Effects of Budgeting for Gifts versus Personal Purchases

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Consumers often set budgets with the goal to minimize their spending. Contrary to this traditional interpretation, our research suggests that budgets can take on a different psychological meaning depending on whether the budget is for a personal or gift purchase. Across 11 studies, we find that consumers aim to spend below their budgets for personal purchases (budget minimizing) but aim to spend the entirety of their budgets for gift purchases (budget maximizing). We differentiate budget maximizing from spending maximizing, showing that gift purchasers are more likely to prefer “at-budget” than “above-budget” purchases. We also show that gift purchasers have weaker savings goals than personal purchasers—a difference that mediates the effect on their budget-minimizing and -maximizing tendencies. We explore multiple reasons that could explain why savings goals are less prevalent among gift purchasers and find an upstream role for price consciousness, guilt, and perceived specialness. Finally, we find that consumers’ preference for spending the entirety of their budgets on gifts was moderated by two separate factors: consumers’ budget slack and salience. Our research adds to the literatures on mental budgeting, gift giving, and self-other decisions.

Keywords: mental budgets, budgeting, gift giving, self-other decisions, goals

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Consumers often budget their spending on rent, transportation, food, bills, and other expenses. Thaler (1985, 1999) proposed an account of mental budgeting that refers to consumers organizing their money’s inflows and outflows and spending them accordingly. For instance, salary income may be treated with more gravity than a tax refund and is therefore less likely to be spent on indulgent purchases (Thaler and Shefrin 1981). Following Thaler’s (1985, 1999) seminal work, a large body of theoretical research (Henderson and Peterson 1992; Zelizer 1989) and experimental research (Cheema and Soman 2006; Choe and Kan 2021; Gourville and Soman 1998; Heath and Soll 1996; Prelec and Loewenstein 1998; Sheehan and Van Ittersum 2018; Ülkümen, Thomas, and Morwitz 2008) has continued to investigate mental budgeting. These cumulative studies have greatly enriched our understanding of mental budgeting; however, nearly all of them focus on situations in which consumers budget purchases that they make for themselves, overlooking situations in which consumers budget purchases that they make for others. In this research, we investigate the difference between

personal-purchase budgets and gift-purchase budgets to address this important gap in the literature.

How ubiquitous are gift budgets? By one account, around 80% of holiday budgets are set for gifts (Statista 2011). Retailers often promote and categorize gift items according to budget ranges (e.g., “Gifts for Under \$100”), and consumers often set budgets for gift-exchange events, such as “Secret Santa” and “White Elephant.” Although gift giving is a prevalent consumer behavior, the intersection between budgeting, spending, and gift giving has received little attention. This is surprising because gift giving is a sizeable consumer expense. For American households, consumers spend as much on food as they do on gifts (Deloitte 2019). Because both gift giving and gift budgeting appear to be common in practice, this begs the question of how gift budgets affect consumer behavior: do gift budgets have the same documented effects as personal budgets—or do consumers treat gift budgets differently from personal budgets? To answer this question, we investigate the differences between gift and personal purchases, by focusing on how consumers perceive gift and personal purchase budgets, and how they behave as a result of possessing different budget perceptions.

THEORETICAL BACKGROUND

In the literature, a mental budget is a reference point for a purchase decision—it provides a standard for one’s behavior (Heath, Larrick, and Wu 1999). For household finances, a budget is a numerical representation of one’s behavioral goals, and consumers set budgets to efficiently allocate their resources under constraints. In support of budgets’ efficacy, research has shown that budgets help to prevent unplanned purchases (Krishnamurthy and Prokopec 2010; Stille, Inman, and Wakefield 2010). Consumers often set budgets to manage and minimize their spending (Petz and Buehler 2009). Relatedly, when consumers spend less than their budgets, they consider it a matter of personal success—it contributes to their overall financial well-being, and consumers may reward themselves for spending under budget (Kan, Fernbach, and Lynch 2018; Netemeyer et al. 2018). All told, we expect that consumers aim to spend less than their personal budgets to minimize their spending. That is, consumers have a *budget-minimizing* goal for personal budgets.

Research on gift giving hints that consumers will not treat gift-purchase budgets in the same (budget-minimizing) way as they do personal-purchase budgets. While savings goals are key to personal budgets (Cheema and Bagchi 2011; Petz and Buehler 2013; Soman and Cheema 2011), there are at least seven reasons for why savings goals will have less impact on gift budgets. We expect that each of the following seven accounts are potential antecedents to the effect of savings goals on people’s budget-

minimizing tendencies, helping to elucidate why people are less focused on saving money for gift purchases as compared to personal purchases.

Antecedents of Savings Goals’ Diminished Impact on Gift Budgets

Preference Uncertainty. The first account has to do with the fact that people are less knowledgeable about other people’s preferences than their own (Barasz, Kim, and John 2016; Frederick 2012; Lerouge and Warlop 2006). Past research has suggested that compared to purchases made for the self, gift purchases involve higher levels of *preference uncertainty* (Liu, Dallas, and Fitzsimons 2019). As a general rule, gift givers aim to choose gifts that best match the predicted preferences of their gift recipients (e.g., by tailoring their gifts; Steffel and Le Boeuf 2014), but they often fail to accurately predict recipients’ preferences (Galak, Givi, and Williams 2016). For instance, givers focus too much on giving desirable gifts when recipients would rather receive feasible gifts (Baskin et al. 2014). One survey has found that givers only correctly identify about half of the gifts that a recipient would want for themselves (Pollmann and van Beest 2013). It is difficult to know what a gift recipient would like to receive, and givers often guess wrong (Cavanaugh, Gino, and Fitzsimons 2015; Gino and Flynn 2011; Zhang and Epley 2012). To mitigate the difficulty with identifying what a recipient would like, givers may gift a more expensive item to increase the probability that recipients will like their gifts (Wang and van der Lans 2018). Indeed, recent research has uncovered a lay belief of gift giving: the more a giver spends on a gift, the more they believe that the recipient will appreciate it (Cheng, Meloy, and Polman 2021). Accordingly, consumers may be less focused on saving money and more willing to stretch their budgets when buying for others (vs. themselves) because they believe that by spending more money on others, they will buy something that gets closer to matching others’ preferences.

Price Consciousness. Research on *price consciousness* offers another explanation for the prediction that consumers are focused less on savings goals when setting gift budgets. Past research has shown that consumers are less price conscious when making gift purchases (Babin, Gonzalez, and Watts 2007). According to recent research, when making gift purchases, consumers make fewer trade-offs in favor of acquiring a cheaper price compared to making personal purchases (Boncinelli et al. 2019). Indeed, consumers believe that thinking too much about saving money on gift purchases is taboo (McGraw et al. 2016). Along these lines, consumers are not only happier when spending money on others (Dunn, Aknin, and Norton 2008), but also they appear to be less concerned by the

financial costs of gift purchases. For example, making decisions for others (vs. for the self) is viewed as a more psychologically distant decision (Baskin et al. 2014; Polman and Emich 2011), and research has found that purchase decisions that are subject to more distance are related to placing less weight on decisions' financial costs (Bornemann and Homburg 2011). Research has also found that consumers are less price conscious in social consumption situations (Wakefield and Inman 2003)—the sort of situation in which gift giving takes place. Altogether, consumers may be less price conscious for gift purchases and thus less concerned about savings goals.

Perceived Ownership of Money. The manner in which consumers create mental accounts for money that is *perceived to belong to others* might also explain consumers' lax savings goals when buying gifts. Psychological ownership of monetary resources refers to the perception that money belongs to oneself (as opposed to the perception that money does *not* belong to the self; Sharma, Tully, and Cryder 2021; Shu 2018). This perception can vary as a function of contextual factors, irrespective of legal ownership (Sharma et al. 2021). For example, consumers may perceive that money they have set aside for a gift does not personally belong to them (Denton and Rucker 2013). Moreover, money allocated for others feels more psychologically distant—as less close to the self (Polman, Efron, and Thomas 2018). Together, we suggest that consumers feel lower perceived ownership of money that is budgeted for others, such as gifts. Weaker psychological ownership lessens the endowment effect (Dickert, Ashby, and Dickert 2018) and thus decreases the need to keep one's possessions (e.g., one's resources) because one feels less attachment to them (Chu 2018). These findings suggest that lower perceived ownership of gift money could lead to weaker savings goals. In terms of endowment, people may be more apt to relinquish money budgeted for others and save money budgeted for themselves.

Guilt. Another reason savings goals could be weaker for gifts relates to *feelings of guilt* that stem from violating norms of reciprocity in gift exchange (Giesler 2006; Gouldner 1960). Guilt is a negative emotion experienced when people violate their internal standards and motivates reparative action (Dahl, Honea, and Manchanda 2005). In a gift-exchange context, consumers are motivated to reciprocate in response to receiving a gift. If a giver has received a \$100 gift from a friend, they may feel the need to reciprocate by choosing a gift that matches its financial value (Goodwin, Smith, and Spiggle 1990). Likewise, when people give gifts, they may feel guilty should they not conform to normative gift-giving rules; indeed, givers worry they have not selected adequately satisfying gifts (Sherry, McGrath, and Levy 1993; Wooten 2000). Relatedly, once money has been budgeted for a gift recipient, consumers feel guilty leaving the money unspent (Denton and Rucker

2013). These findings suggest that anticipated guilt may lead consumers to focus less on saving money when buying for others, resulting in spending more of their budget.

Impression Management. One of the main reasons people give gifts is *impression management* (Schwartz 1967). Gift giving is a vehicle for self-presentation with the aims to: improve one's relationship with others, avoid social rejection, and affect perceptions held by others (Camerer 1988). Gifts serve as an objectified form of self-identity (Sherry 1983), and givers consider the expressive value of gift giving in their choice of gift (Larsen and Watson 2001). In support, gift recipients are often reminded of the giver when they think about their gifts (Areni, Kiecker, and Palan 1998). Givers believe that how others perceive them is influenced by their gift choices and, accordingly, they avoid sending cheap signals such as using coupons or choosing poor-quality products to prevent a negative impression (Ashworth, Darke, and Schaller 2005). Rather, when choosing gifts for others, givers prefer expensive items, particularly overtly expensive items such as branded items, to generate ostensibly positive impressions (Flynn and Adams 2009). Such, then, the motivation to manage impressions could lead givers to focus less on saving money and spend a greater portion of their budgets on others.

Prosocial Motivation. Previous research has shown that consumers sometimes maximize more on behalf of others than they do for themselves (Liu et al. 2018), a behavior termed *prosocial motivation* (Grant and Berg 2012). For example, people put more time and effort in designing gifted products for others compared to products for their own consumption (Moreau, Bonney, and Herd 2011). People also pay more to stop other people's pain than to stop their own pain (Crockett et al. 2014). According to research on prosocial motivation, people are generally focused on pleasing others and helping others (Bolino and Grant 2016) and feel greater positive emotions when benefitting other people versus themselves (Nelson et al. 2016). This motivation may result in a lower focus on saving money for oneself and higher spending on gifts for others because this allows people to buy potentially better gifts for others.

Specialness. A final reason why savings goals may be less prevalent for gift purchases relates to the *specialness of gifts*. Gifts are often purchased to mark special events, such as a birthday, wedding, graduation, or holiday (Belk 1976; Cheal 1987). These special occasions are often considered exceptional expenses that warrant greater spending (Shu and Sharif 2018; Sussman and Alter 2012). For special gifting occasions, such as Valentine's Day, gift givers prefer to spend money on higher-quality gifts (e.g., a bouquet) over lower-quality gifts (e.g., a single rose; Givi and Galak 2022). Relatedly, to celebrate special occasions, gift

givers are more apt to make indulgent purchases that are otherwise difficult to justify. People are more approving of indulgence when purchases are made for others than for themselves (Lu, Liu, and Fang 2016), and money for special gifts is perceived to serve more indulgent purposes compared to personal purchases (Thaler 1985). Hence, the specialness of gifts makes indulgent purchases easier to make. In this vein, the specialness of the gifting occasion may cause people to focus less on saving money when spending from gift budgets than personal budgets—because the former often marks a special occasion.

Hypotheses

The seven accounts noted above suggest reasons why savings goals may be less prevalent when purchasing from gift budgets than when purchasing from personal budgets. As a result, we predict that in contrast to the budget-minimizing preferences that consumers possess for personal purchases, consumers will treat gift budgets in a relative budget-maximizing manner and concentrate less on savings goals when choosing gifts. More formally, we hypothesize:

H1: Consumers with personal budgets prefer to spend less of their budgets (i.e., they budget minimize), whereas consumers with gift budgets prefer to spend more of their budgets (i.e., they budget maximize).

H2: Consumers tend toward budget maximizing over budget minimizing because they have weaker savings goals when making gift purchases compared to personal purchases.

H3: Consumers have weaker savings goals when making gift purchases compared to personal purchases because of their respective levels of preference uncertainty (higher; H3a), price consciousness (lower; H3b), perceived ownership of money (lower; H3c), guilt (higher; H3d), impression management (higher; H3e), prosocial motivation (higher; H3f), and perceived purchase specialness (higher; H3g).

Moderators. Key to these hypotheses is the greater extent of spending on gift purchases over personal purchases. Although we predict that consumers will spend more money on gift purchases, it is not our contention that consumers will maximize their spending on gifts, strictly speaking. To illustrate the difference between budget maximizing and spending maximizing, consider that budget maximizing indeed implies spending more money; however, spending more money does not imply maximizing one's budget. This is because spending more money could also lead to *exceeding* one's budget. That is, there is a difference between spending more of a budget and spending above one's budget. Our focus is on the former—how much of a budget is spent, and whether consumers perceive budgets as goal amounts that they should spend less of, or more of. Conditional on having a budget, consumers

generally dislike spending more than their budget; however, it is not a forgone conclusion that spending less than a budget is always more desirable. As hypothesized, consumers may have a tendency to prefer spending less of a personal budget and more of a gift budget, suggesting that consumers may view personal and gift budgets in a divergent way. In other words, personal budgets beget a goal to spend and emerge “less than” the budget, whereas gift budgets beget a goal to spend and emerge “equal to” the budget. This implies two corollary hypotheses that we test as well.

First, when a budget contains slack, consumers will spend more on gift than personal purchases to meet the budget goal—that is, to maximize the budget. However, when a budget has been depleted, then consumers will not engage in further spending for either gift or personal purchases (because the budget goal has been met; it has been maximized). Second, when consumers have no budget, they logically have no budget amount to use as a reference point to guide their spending and hence cannot have a budget-minimizing or -maximizing goal. Rather, they may rely on their internal reference price for a particular product (their expectation of how much a product typically costs; Thaler 1985) to determine how much to spend. Therefore, when there is no budget, consumers' spending will be roughly the same for a given product regardless of whether it is intended for a gift or for the self, all things equal. Formally, we hypothesize:

H4: When there is slack in the budget, consumers will increase their spending more for gift purchases than for personal purchases.

H5: When there is no budget, consumers' gift-purchase spending will be similar to their personal-purchase spending.

Contributions

With our research, we make contributions to the separate literatures on mental accounting, gift giving, and self-other biases. First, we develop a novel connection between budgeting and gift giving. Although there is extensive prior research on how mental budgets impact purchases made for the self, there is far less research on mental budgets that are specifically set for others as gifts. By linking these literatures, we find that consumers possess divergent perceptions of budgets—as goals to spend under, or as goals to spend in whole. Thus, while prior studies in mental budgeting typically consider mental budgets to be a tool to curb spending and enhance self-control (Heath and Soll 1996; Krishnamurthy and Prokopec 2010), we provide a new perspective whereby a mental budget is perceived as a spending amount that consumers aim to maximize.

In addition, while the majority of work on gift giving examines the discrepancies between what givers like to

give and what receivers like to receive, we focus on a practical input that leads givers to choose differently for others than for themselves—consumers’ budget—and how the mental perception of the budget predicts how much consumers spend on others. This complements previous work suggesting that mindsets and emotions alter the choices that people make for others (e.g., as gifts) compared to personal choices (Baskin et al. 2014; De Hooge 2014; Sun, Polman, and Zhang 2021).

Finally, findings in our research provide further evidence of self-other biases in consumer behavior. Related research has found that compared to themselves, consumers believe that others are willing to pay more for products (Frederick 2012), seek more product variety (Ratner and Kahn 2002), buy fewer products with their money (Polman et al. 2018), enjoy products more (Jung, Moon, and Nelson 2020), receive more of the claimed benefits from products (Polman et al. 2022), and consider performance-enhancing products as a natural enabler of their own abilities but an unfair embellishment of other people’s abilities (Williams and Steffel 2014). It is thought that self-other differences in perception will affect self-other differences in decision-making (Polman and Wu 2020; Polman et al. 2022). Consistent with this view, we find an asymmetry in budget perceptions for purchases for the self and others, which has the downstream effect of shaping the spending choices people make for the self and others.

OVERVIEW OF STUDIES

We present 11 studies that test our hypotheses, including two pre-registered studies and three studies located in the [web appendix](#) (see [web appendix A](#) for the materials to each study; all data and materials are available at <https://tinyurl.com/4aun99vp>). Study 1 explored participants’ perceptions of personal budgets and gift budgets. Providing evidence for hypothesis 1, this study showed that participants consider personal budgets as an amount that they aim to spend under, whereas they consider gift budgets as an amount that they aim to spend in whole. Studies 2A and 2B demonstrated that participants prefer to choose below-budget items for personal purchases, whereas they prefer to choose at-budget items for gift purchases. In addition, study 2A helps to differentiate budget maximizing from spending maximizing, showing that while gift budgeters are more likely to prefer at-budget items than personal budgeters, they are not more likely to prefer above-budget items. We also provided support for hypothesis 2 in study 2B. We showed that gift purchasers have weaker savings goals than personal purchasers, and this difference mediates the effect on participants’ budget-minimizing versus -maximizing tendencies. Studies 3 and 4 investigated downstream consequences of divergent perceptions of personal versus gift budgets, testing hypotheses 4 and 5. Study 3

found that when there is slack in the budget, participants are more willing to add to their purchase (by buying another item) when making gift than personal purchases. In support of hypothesis 2, we likewise found that this effect was mediated by a decreased focus on savings goals when making gift purchases as compared to personal purchases. Study 4 explored the role of budget explicitness, and showed that the distinct effect of personal versus gift budgets on respective spending is mitigated when no budget is present. Study 5 examined the seven reasons that could explain consumers’ lower savings goals and their budget-minimizing and -maximizing tendencies. Exploring hypothesis 3, we tested a series of serial and parallel mediations in a pre-registered step-wise pattern that ruled out four of the seven accounts. We found that consumers’ price consciousness underlies the drop in savings goals for gift purchases and increases the respective tendency for budget maximizing, while guilt and perceived specialness also help explain the budget maximizing tendency for gift purchases. In study 6, we manipulated the type of purchase (buying a gift vs. a non-gift) and found that people spent more of their budget on others than on the self and that this pattern of behavior was amplified when buying gifts (vs. non-gifts) for others. Then, in a test containing ecological validity, study 7 uncovered the effect of personal versus gift budgets in a real spending context. Finally, the [web appendix](#) contains three additional studies—together finding that the effect is robust to the gift’s hedonic versus utilitarian nature (study WA1), the levels of preference uncertainty (study WA2), and social distance (study WA3).

STUDY 1: DIVERGENT BUDGET PERCEPTIONS

We proposed that consumers perceive personal budgets as an amount that they aim to spend under and gift budgets as an amount that they aim to spend in whole (hypothesis 1). In this study, we tested for these divergent perceptions in an open-ended fashion. We asked participants to share their thoughts on personal and gift budgets and coded them according to whether participants treated these budgets as goals that they would like to minimize (by aiming to spend less than the budget) or to maximize (by aiming to spend the entirety of the budget).

Method

We recruited 303 undergraduate students who participated in exchange for partial course credit (70.3% female, $M_{\text{age}} = 20.75$, $SD = 2.69$). In a two-condition (personal vs. gift purchase) within-subjects design, we asked participants to recall two recent purchases: one that they budgeted for themselves (personal purchase) and another that they budgeted for a gift (gift purchase) in counter-balanced order. For both types of purchases, we asked participants what

item they purchased, the amount they budgeted, and the amount they spent. Next, we assessed our dependent variable—we asked participants to freely write down what comes to mind when they think of (1) budgeting for a personal purchase and, separately, (2) budgeting for a gift purchase.

Results

Our primary interest was investigating whether budget perceptions differ depending on whether the budgeted product was a gift purchase versus a personal purchase. Before analyzing participants' budget perceptions, we first explored whether there were differences in the type of products for which people budgeted (web appendix B). In summary, most of the items were material goods rather than experiential goods; the ratio of material to experiential items for each purchase type was not significantly different between conditions. Participants listed items from a wide variety of categories, including fashion, home décor, electronic devices, and jewelry. Personal purchases were more likely to include electronic devices and fashion items (e.g., shoes, clothes), while gift purchases were more likely to include jewelry, accessories, and home décor items (e.g., candles, picture frames; for full details, see web appendix B).

Next, we assessed our main dependent variable: participants' open-ended responses to how they perceive budgets for personal and gift purchases—as goals either to spend “less than their budget” (budget minimizing) or to spend “around their budget or the exact amount of their budget” (budget maximizing). We hired two independent coders blind to the research hypothesis to code participants' responses. Specifically, we assessed whether participants indicated a preference to “spend less than their budget” (coded as 0) or a preference to “spend around their budget or the exact amount of their budget” (coded as 1). Of the 606 responses received, 54 responses could not be classified in either category (examples include, “it depends on the shoes that I am buying,” “budgeting is preparing yourself financially for the amount of the object,” or “spending more is always better”). This rendered 552 responses (281 responses in the personal-purchase condition, and 271 responses in the gift-purchase condition). Coders agreed on 88.4% of the responses (88.3% for personal-purchase condition and 88.6% for gift-purchase condition); a third coder read the responses in which the coders disagreed and resolved discrepancies.

In line with hypothesis 1, we found that for personal purchases, more participants indicated a preference to spend less than their budget (73.7%; 207/281) than to spend around their budget (26.3%; 74/281), $z = 7.57$, $p < .001$. These results flipped significantly among gift purchases, $\chi^2(1) = 29.89$, $p < .001$; when buying gifts, more participants indicated a preference to spend around their budget (66.8%; 181/271) than to spend less than their budget

(33.2%; 90/271), $z = 5.53$, $p < .001$. Thus, in a relatively strong way—the effect sizes (risk ratios) are 2.79 and 2.01, respectively—we found that for personal purchases, the goal of spending below a budget was about 2.8 times more common than the goal of spending around the budget; and vice versa for gift purchases, the goal of spending around the budget was about 2 times more common than the goal of spending less than the budget.

We also sought to test whether gift-purchasing participants aim to maximize their spending *within their budget* (i.e., budget maximizing) or whether they maximize spending more generally (i.e., spending maximizing). To do this, we reexamined the 54 responses that were not categorized as either budget minimizing or budget maximizing and recoded all of the sample's responses according to whether they corresponded to a third category, to “spend greater than their budget” (i.e., spending maximizing). Only 1.8% (5/286) of personal purchases and 3.2% (9/280) of gift purchases were categorized as demonstrating a preference for spending above the budget. These proportions were not significantly different between personal- and gift-purchase conditions (exact McNemar test, $p = .388$). This suggests that gift budgets are treated in a manner consistent with *budget maximizing* and not *spending maximizing*.

Because we asked participants to indicate their budgets and how much they spent (see web appendix B, table B2 for descriptive statistics), our data allowed us to test whether the percentage of the budget spent was greater for gifts relative to personal purchases—another test of hypothesis 1. To do this, we calculated the percentage of the budget spent by dividing the spending amount by the budget amount. For participants who indicated they budgeted zero dollars, this percentage could not be logically computed ($n = 5$). Furthermore, the proportion was not always less than 1, as some participants spent more than they budgeted—in some rare instances, a lot more. Of the 303 participants, 5 participants indicated spending an amount that was 2–5 times larger than their budget, in excess of 3 standard deviations of the average percentage. We excluded these 5 participants from our analysis, netting a final sample of 293 participants for analysis. We found that the average proportion of the budget spent was greater for gift budgets ($M = 0.92$, $SD = 0.24$) than personal budgets ($M = 0.87$, $SD = 0.22$), $t(292) = 2.15$, $p = .032$, $d = 0.13$.

Discussion

The results of study 1 provide evidence that people have divergent perceptions of budgets for personal purchases as compared to gift purchases, supporting hypothesis 1. By coding participants' thoughts about budgets, we found that participants aim to spend less than their budgets for personal purchases and spend around all of their budgets for gift purchases. These divergent perceptions are akin to

possessing budget-minimizing and budget-maximizing goals. Of import, we found evidence of this difference in an open-ended format with a content analysis of participants' thoughts. Over 70% of the codable responses indicated that a personal-purchase budget represents a spending amount that they should spend less of. In contrast, for a gift-purchasing budget, 67% of the codable responses indicated that the budget represents a spending amount that they should spend roughly all of. Moreover, we observed that a greater proportion of the budget was spent on gift purchases than on personal purchases. It is encouraging that we see evidence for our prediction in an open-ended way, using a conservative (less controlled) bottom-up approach. Going forward, the following studies test the hypotheses with more procedural control, by manipulating and holding constant the price and budget amounts.

STUDIES 2A AND 2B: PERSONAL- AND GIFT-PURCHASE CHOICE AND GOALS

In study 1, we examined participants' open-ended responses to how they treat personal- and gift-purchase budgets. In extension, in studies 2A and 2B, we explored the differential perceptions toward personal and gift budgets by examining participants' choice among products with different prices that vary in how close they are to their budget. In line with hypothesis 1, we predict that gift-purchasing participants will prefer to choose an item priced closer to their budgeted amount, whereas personal-purchasing participants will prefer to choose an item that falls below their budgeted amount.

In study 2A, we examined participants' choice of a below-budget item, an at-budget item, and an over-budget item. One auxiliary goal of study 2A was to distinguish budget maximizing from spending maximizing more generally. If gift purchasers are interested primarily in spending maximizing, then they will be more willing to purchase an over-budget item than personal purchasers. However, if gift purchasers are interested in budget maximizing specifically, we should observe that gift purchasers are more likely to purchase an at-budget item than personal purchasers, but not an over-budget item.

In study 2B, we tested hypothesis 2 by directly measuring the prevalence of participants' savings goals and assessing the process. We predicted that savings goals will be weaker among participants who make gift purchases than among participants who make personal purchases and that this difference will mediate the effect of purchase type on participants' likelihood to choose between the below-budget and at-budget items (hypothesis 2).

Method (Study 2A)

We recruited 290 participants from Amazon Mechanical Turk (MTurk; 50.0% female, $M_{\text{age}} = 38.96$, $SD = 11.22$). We randomly assigned participants to one of two conditions and asked them to imagine that they were making a personal purchase for themselves or a purchase for someone else as a gift. We told participants in the personal-purchase condition that they had recently moved to a new place and decided to set aside \$100 to buy something for their new kitchen. In contrast, we told participants in the gift-purchase condition that their friend had recently moved to a new place and that they had decided to set aside \$100 to buy a housewarming gift for their friend. We asked all participants to imagine that they decided to buy a coffee maker. As an attention check, participants recalled the budget and purchase item described in the scenario. Next, participants indicated their choice among three coffee maker options—model A for \$60, model B for \$100, and model C for \$140. Twenty-six participants failed to answer the attention check correctly and were excluded from the analyses, rendering a final sample of 264 participants. Results are statistically indistinguishable from analyses that include the participants who failed the attention check.

Results (Study 2A)

We compared the proportions of participants choosing each model between personal versus gift-purchasing conditions. As predicted, the proportion of participants choosing the under-budget coffee maker (model A for \$60) was significantly greater in the personal-purchase condition (54.5%; 72/132) than in the gift-purchase condition (18.9%; 25/132), $\chi^2(1) = 22.77$, $p < .001$. This shows that personal-purchasing participants had a stronger preference for choosing an under-budget item than gift-purchasing participants. In contrast, the proportion of participants choosing the at-budget coffee maker (model B for \$100) was significantly greater in the gift-purchase condition (78.8%; 104/132) than in the personal-purchase condition (43.2%; 57/132), $\chi^2(1) = 13.72$, $p < .001$. This shows that gift-purchasing participants had a stronger preference for choosing an item that meets their budget than personal-purchasing participants. Finally, the proportion of participants choosing the over-budget coffee maker (model C for \$140) was not significantly different between the personal-purchase (2.3%; 3/132) and gift-purchase conditions (2.3%; 3/132), $\chi^2(1) = 0$.

In summary, we found that the proportion of participants choosing the under-budget coffee maker was significantly greater for personal than gift purchases, whereas the proportion of participants choosing the at-budget coffee maker was significantly greater for gift than personal purchases. Notably, the proportion of participants choosing the over-budget coffee maker was not significantly different

between the personal- and gift-purchase conditions, indicating that gift purchasers do not increase spending for others in general, but rather aim to maximize spending within their budget.

Method (Study 2B)

We recruited 353 participants from MTurk (48.4% female, $M_{\text{age}} = 38.79$, $SD = 11.89$). We followed a similar paradigm as in study 2A. We randomly assigned participants to imagine making either a personal purchase or a gift purchase. Specifically, we asked participants to choose between an under-budget coffee maker (model A for \$85) versus an at-budget coffee maker (model B for \$100) on a scale from 1 (*very likely to choose model A and pay \$85*) to 8 (*very likely to choose model B and pay \$100*).

In extension to study 2A, we examined participants' savings goals using a six-item measure adapted from a savings goal measure created by Peetz and Buehler (2013). Participants rated whether they made their decision in a manner that enables them to save appropriately; maximize their savings; save as much as they can; spend appropriately; maximize their spending; and spend as much as they can, using scales from 1 (*strongly disagree*) to 7 (*strongly agree*). We reverse scored the last three items and averaged the responses to create a single measure of focus on savings goals ($\alpha = 0.70$; see web appendix C for scale items, correlations, and factor analysis).

Then, participants completed the same attention check as in study 2A. Twenty-four participants failed to answer the attention check correctly and were excluded from the analyses, rendering a final sample of 329 participants. The results are statistically indistinguishable from analyses that include the participants who failed the attention check.

Results (Study 2B)

As predicted, participants in the gift-purchase condition showed a significantly greater likelihood to choose the \$100 (at-budget) coffee maker ($M = 4.25$, $SD = 2.32$) than did participants in the personal-purchase condition ($M = 3.51$, $SD = 2.17$), $t(327) = 2.99$, $p = .003$, $d = 0.33$. This shows support for hypothesis 1; personal-purchasing participants chose to spend less than their budget, and gift-purchasing participants chose to spend closer to their budget.

In a separate test, we also found support for hypothesis 2; participants in the personal-purchase condition focused significantly more on savings goals ($M = 4.68$, $SD = 1.05$) than participants in the gift-purchase condition ($M = 4.29$, $SD = 1.21$), $t(327) = 3.09$, $p = .002$, $d = 0.34$. In light of these results, we sought to examine whether the difference in savings goals might account for the difference in purchase type on participants' likelihood to choose between the below-budget and at-budget products. We constructed

a mediation model (Hayes 2017; model 4) and tested whether savings goals account for the relationship between purchase type and likelihood to purchase a below-budget versus at-budget product. Using a bootstrapping procedure, 5,000 repeated random samples were taken from the data to compute the indirect effect. We found that the relation between purchase type and likelihood to choose between the below-budget and at-budget product purchase was mediated by savings goals, $b = 0.517$, $SE = 0.163$, 95% CI: [0.192, 0.833] (see web appendix C, table C3 for full results).

Discussion

In this pair of studies, we found that compared to purchasing for the self, purchasing a gift renders a greater likelihood to choose a product that depletes the budget. This supports hypothesis 1, which predicts that consumers perceive gift budgets as a maximizing goal and personal budgets as a minimizing goal. In study 2A, we also confirm that gift purchasers engage in budget maximizing (spending more within the budget), rather than spending maximizing more generally (preferring to spend more money, including spending above the budget). In study 2B, we found evidence in support of the proposed process (hypothesis 2); shopping for a gift led participants to focus less on savings, which in turn increased participants' likelihood to spend more of the money they had budgeted.

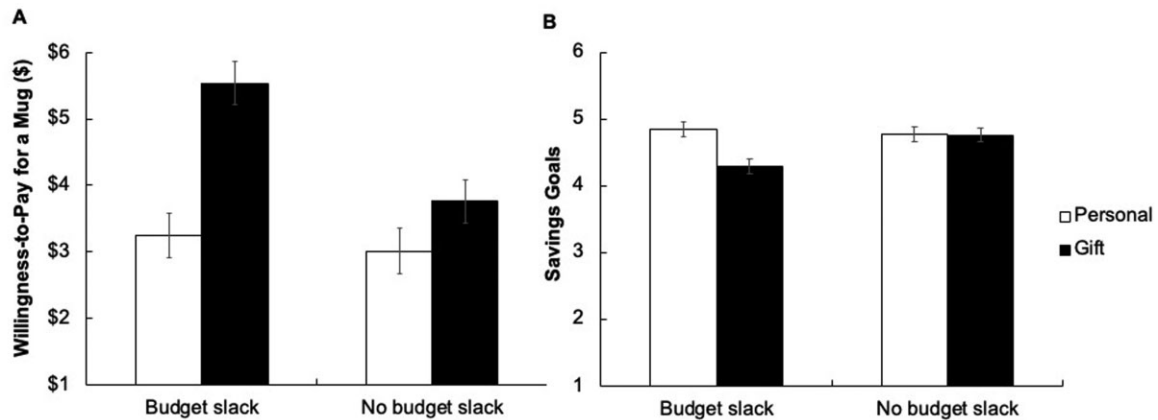
STUDY 3: PURCHASE ADD-ON

So far, we have found evidence for hypotheses 1 and 2, finding that people are more likely to purchase at-budget products when spending from gift budgets than from personal budgets. In study 3, we explore whether gift purchasers are more willing to spend on complementary items to add to an existing purchase. If gift budgets are indeed perceived as amounts to maximize, or to spend "equal to," then we should find that gift purchasers are more willing to pay for an add-on item than personal purchasers when they are currently under budget for a gift (i.e., when there is slack left in the budget) because they have not yet satisfied their maximizing goal. However, when gift purchasers have already spent their entire gift budget (i.e., when there is no slack left in the budget), we expect that gift purchasers will not exhibit higher willingness to pay (WTP) for an add-on item than personal purchasers because they have already satisfied their goal of spending their budget in its entirety. Such a finding would speak to the important role that budget perceptions occupy in the difference in spending between gift and personal purchases and would provide more evidence that gift purchasers have a budget-maximizing goal rather than a spending-maximizing goal.

In sum, in study 3, we tested hypothesis 4 and predict that when there is slack in the budget (vs. no slack), gift-

FIGURE 1

MODERATING ROLE OF BUDGETARY SLACK (STUDY 3) ON WILLINGNESS-TO-PAY (PANEL A) AND SAVINGS GOALS (PANEL B)



purchasing participants will show higher WTP to add an item to their purchase than would personal-purchasing participants. Furthermore, we tested hypothesis 2 again, by assessing whether participants' WTP for an add-on item (a measure of budget minimizing and maximizing) is mediated by participants' focus on savings goals.

Method

We recruited 334 undergraduate participants in exchange for partial course credit (40.4% female, $M_{\text{age}} = 20.95$, $SD = 1.78$). We asked participants to imagine that they had set a \$30 budget to buy a school sweatshirt for either themselves or their roommate's graduation gift. As an attention check, participants recalled the budget and item described in the scenario. As a separate experimental factor, we randomly assigned participants to a condition designed to manipulate slack in the budget: one condition indicated that the sweatshirt was on sale for \$23.99 (leaving \$6 of slack remaining in their \$30 budget), whereas the other condition indicated that the sweatshirt was selling for \$29.99 (leaving \$0 of slack remaining in their \$30 budget).¹ In all conditions, participants read that the store clerk recommended a coffee mug to buy along with the sweatshirt. Participants reported their WTP for the mug on a slider scale from \$0 to \$15.

Finally, participants were asked to recall their WTP for the mug and to rate the extent to which they focused on savings goals when deciding how much to pay for the mug using the same six-item measure from study 2B. Twelve

participants failed to answer the attention check correctly and were excluded from the analyses, rendering a final sample of 322 participants. The results are statistically indistinguishable from analyses that include the participants who failed the attention check.

Results

We conducted a 2 (purchase type: personal vs. gift) \times 2 (budget slack: slack vs. no slack) ANOVA on WTP, which revealed significant main effects of purchase type and budget slack. The WTP for the mug was higher among gift-purchasing participants ($M = \$4.64$, $SD = 3.18$) than among personal-purchasing participants ($M = \$3.14$, $SD = 2.75$), $F(1, 318) = 21.79$, $p < .001$, $d = 0.51$. Moreover, participants were willing to pay more for the mug when there was slack in the budget ($M = \$4.34$, $SD = 2.87$) than when there was no slack ($M = \$3.40$, $SD = 3.19$), $F(1, 318) = 9.59$, $p = .002$, $d = 0.31$. Of import, the interaction was significant, $F(1, 318) = 5.64$, $p = .018$, partial $\eta^2 = 0.017$ (figure 1A). When there was slack in the budget, gift-purchasing participants indicated a higher WTP for the add-on mug ($M = \$5.53$, $SD = 2.74$) than personal-purchasing participants ($M = \$3.25$, $SD = 2.54$), $F(1, 318) = 25.76$, $p < .001$, $d = 0.86$. However, when there was no slack in the budget, WTP for the add-on mug was similar between purchases intended as a gift ($M = \$3.76$, $SD = 3.35$) and for the self ($M = \$3.01$, $SD = 2.98$), $F(1, 318) = 2.53$, $p = .112$. This shows that participants spend more on others than on themselves when they are short of spending their budget, but not more generally, such as when they have spent all of their budget (as in the no-slack condition). This is consistent with hypothesis 4, and the budget-minimizing and -maximizing

¹ We conducted a pre-test ($N = 294$) to assess quality perceptions to ensure that our results could not be explained solely by differences in perceived quality of the discounted and regular-price sweatshirt. Results show that the perceived quality of the sweatshirt did not differ between conditions (see web appendix D for details).

goals that consumers have when making personal and gift purchases, respectively.

Next, we tested a 2 (purchase type: personal vs. gift) \times 2 (budget slack: slack vs. no slack) ANOVA on savings goals, which revealed a significant main effect of purchase type. The focus on savings goals was higher among personal-purchasing participants ($M = 4.81$, $SD = 1.11$) than among gift-purchasing participants ($M = 4.53$, $SD = 0.87$), $F(1, 318) = 6.37$, $p = .012$, $d = 0.28$. The ANOVA also revealed a significant interaction between purchase type and budget slack, $F(1, 318) = 5.99$, $p = .015$, partial $\eta^2 = 0.019$ (figure 1B). In lockstep with the WTP results, we found that when there was slack in the budget, gift-purchasing participants indicated that they focused less on savings goals ($M = 4.29$, $SD = 0.86$) than personal-purchasing participants ($M = 4.84$, $SD = 1.17$), $F(1, 318) = 12.83$, $p < .001$, $d = 0.54$. However, when there was no slack in the budget, focus on savings goals was similar between purchases intended as a gift ($M = 4.76$, $SD = 0.82$) and for the self ($M = 4.77$, $SD = 1.03$), $F(1, 318) = 0.003$, $p = .958$.

Finally, we tested whether savings goals might account for the difference in purchase type on participants' WTP, with budget slack as a moderating variable. We constructed a moderated mediation model (Hayes 2017; model 8) and tested whether focus on savings goals mediates the relationship between purchase type and WTP, in separate conditions with budget slack versus no slack. Using a bootstrapping procedure, 5,000 repeated random samples were taken from the data to compute the moderated-mediated indirect effect, $b = 0.638$, $SE = 0.281$, 95% CI: [0.129, 1.212]. Specifically, we found that the relation between purchase type and WTP was mediated by savings goals when there was budget slack, $b = 0.648$, $SE = 0.211$, 95% CI: [0.254, 1.089], but not when there was no budget slack, $b = 0.009$, $SE = 0.182$, 95% CI: [-0.360, 0.362] (see web appendix D, table D2 for full results).

Discussion

Study 3 demonstrated that provided there is slack in the budget, participants are more willing to spend the remaining slack when the budget is for a gift purchase than for a personal purchase. Importantly, we did not find that participants were, in general, willing to spend more money on gift purchases than on personal purchases. That is, when there was no slack in the budget, we found that participants would spend just as much on others as they would on themselves. This suggests that our results are not due merely to participants preferring to spend more money on gift purchases than on personal purchases. Furthermore, consistent with study 2B, we found once more that the difference in spending between the gift- and personal-purchase conditions was mediated by the extent that participants focused

on savings—a focus that was more prevalent among personal-purchasing participants.

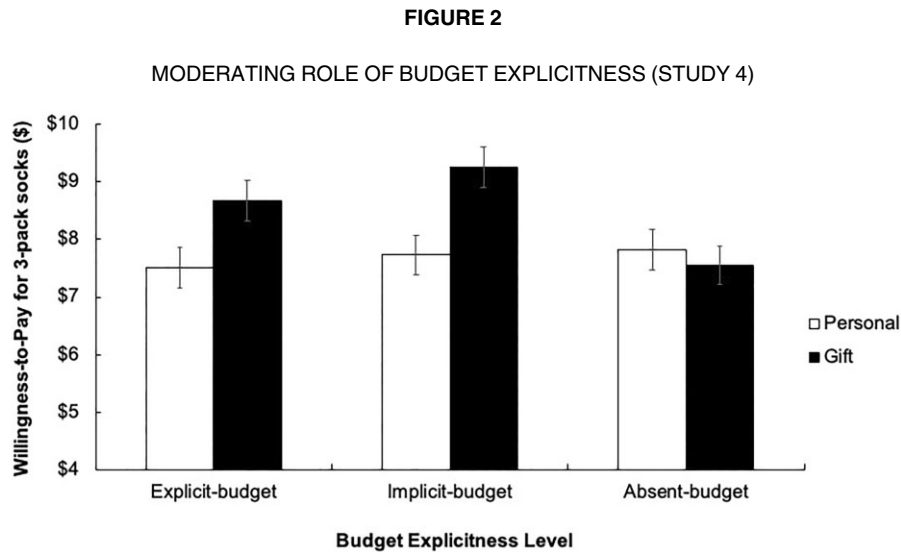
STUDY 4: BUDGET EXPLICITNESS

As noted, a budget is a reference point for spending decisions, and explicit budgets are often accompanied by savings goals. Prior research (Stilley et al. 2010) suggests that consumers may have a budget that is explicit (i.e., a specific reference point or a particular number, such as “\$50” that has been specifically recorded), or they may have a budget that is implicit (i.e., a rough idea of what they intend to spend, such as “around \$50”). To further test the asymmetry between perceptions of personal and gift budgets, study 4 varied the presence versus absence of the budget. For robustness, we also varied the explicitness of the budget: implicit and explicit. This provides three different levels of budget presence (explicit, implicit, and absent budget). We predicted that the spending between gift purchases and personal purchases will be different when the budget is either explicitly or implicitly given, but that gift-purchase spending will be similar to personal-purchase spending when the budget is completely absent (hypothesis 5).

Method

In study 4 (pre-registered, <https://aspredicted.org/blind.php?x=g2er3x>), we employed a similar design to study 3 but varied the explicitness of the budget at three different levels: explicit budget versus implicit budget versus absent budget. We requested 1,000 participants on MTurk and received a total of 1,002 participants who completed the study (46.9% female, $M_{\text{age}} = 39.01$, $SD = 12.75$). We asked participants to imagine that they plan to buy something for themselves or for a friend's birthday gift. According to their condition, participants read that they “set a budget of \$50 for this purchase” (explicit-budget condition) or “were considering spending around \$50” (implicit-budget condition; this manipulation is consistent with prior literature that conceptualizes an implicit budget as a spending consideration; Stilley et al. 2010). For participants in the absent-budget condition, we provided no information related to a budget. As an attention check, participants recalled the budget (only for those in the explicit and implicit conditions) and the item in the scenario.

Next, we asked all participants to imagine they decided to buy a fleece sweatshirt for themselves or for a birthday gift. The price of the sweatshirt that participants were interested in buying was \$40, thus creating \$10 of slack in the budget. Like study 3, we indicated to participants that the store clerk recommended an additional product to buy along with the sweatshirt, in this case, a three-pack of fleece socks. We asked participants to indicate their WTP for the socks on a slider scale with dollar values ranging from \$0 to \$20. Forty-eight participants failed to answer



the attention check correctly and were excluded from the analyses, rendering a final sample of 954 participants. Results are statistically indistinguishable from analyses that include the participants who failed the attention check.

Results

We conducted a 2 (purchase type: personal vs. gift) \times 3 (budget explicitness: explicit vs. implicit vs. absent) ANOVA on WTP, which revealed a significant main effect of purchase type. The WTP for the socks was higher among gift-purchasing participants ($M = \$8.47$, $SD = 4.36$) than among personal-purchasing participants ($M = \$7.69$, $SD = 4.38$), $F(1, 948) = 8.15$, $p = .004$, $d = 0.18$.

As predicted, the omnibus interaction was significant, $F(2, 948) = 3.77$, $p = .023$, partial $\eta^2 = 0.008$ (figure 2). When the budget was explicitly or implicitly presented, participants indicated that they would spend more money on a gift purchase than a personal purchase. Specifically, when the budget was explicit, WTP for the socks was higher for gifts ($M = \$8.67$, $SD = 4.05$) than personal purchases ($M = \$7.51$, $SD = 4.07$), $t(948) = 2.39$, $p = .017$, $d = 0.29$. Likewise, when the budget was implicit, WTP for the socks was higher for gifts ($M = \$9.25$, $SD = 3.98$) than personal purchases ($M = \$7.73$, $SD = 4.21$), $t(948) = 3.09$, $p = .002$, $d = 0.37$. However, when the budget was absent, WTP for the socks was similar between purchases intended as a gift ($M = \$7.55$, $SD = 4.82$) and for the self ($M = \$7.82$, $SD = 4.84$), $t(948) = 0.56$, $p = .579$. These results provide evidence of hypothesis 5; the spending difference between personal and gift purchases was mitigated when there was no budget.

Discussion

Study 4 demonstrates that budget maximizing for gift purchases occurs when a budget is either explicit or implicit. For gift purchases that are below the budget, participants report greater WTP for an add-on item than for personal purchases that are similarly below a budget. Again, this shows that when shopping for gifts, participants attempt to spend more of their budgets. This is in contrast to shopping for personal items, whereby participants appear to prefer to spend under their budgets. Logically, these differences are attenuated when participants have no budget. With no budget, it follows that there is no divergent budget-minimizing or -maximizing perception thereto.

STUDY 5: MULTIPLE PROCESSES

We have thus far found differences in perceptions and spending of personal versus gift budgets and identified the prevalence of savings goals as an underlying mechanism. The purpose of the present study is to examine other potential upstream mechanisms that could explain the divergent spending patterns for personal and gift budgets and further explore *why* savings goals are weaker for gifts than for the self.

Method

In study 5 (pre-registered, https://aspredicted.org/Y62_3SG), we recruited 410 participants from Prolific (50.5% female, $M_{\text{age}} = 38.84$, $SD = 14.10$) and conducted a two-condition (personal- vs. gift-purchase) between-subjects study. We randomly assigned participants to imagine

making either a personal purchase or a gift purchase. Specifically, we asked participants to choose between an under-budget coffee maker (“Pixie I” for \$85) versus an at-budget coffee maker (“Pixie II” for \$100) on a scale from 1 (*very likely to choose Pixie I and pay \$85*) to 8 (*very likely to choose Pixie II and pay \$100*). Each coffee maker had a product description, including attributes, photo, and star ratings. As an attention check, participants were asked to recall the budget of the purchase, the item, and the recipient described in the scenario.

To assess the role of additional explanations for the personal- versus gift-budget difference, we asked participants to think of their choice of coffee maker and rate the extent to which they agreed with statements that described each factor (savings goals, preference uncertainty, price consciousness, perceived ownership of money, guilt, impression management, prosocial motivation, and specialness) using 7-point Likert scales based on prior literature (see [web appendix A](#) for measures; scales were assessed in randomized order). These factors were chosen based on their documented effects on gift choices in the literature; as such, these motives may play a role in people’s gift-budget perceptions as well.

Two participants failed to answer the attention checks correctly and were excluded from the analyses, rendering a final sample of 408 participants. Results are statistically indistinguishable from analyses that include the participants who failed the attention checks.

Results

Replicating our findings from previous studies, participants in the gift-purchase condition showed a significantly greater preference for the \$100 (at-budget) coffee maker ($M = 4.54$, $SD = 2.73$) than did participants in the personal-purchase condition ($M = 3.62$, $SD = 2.66$), $t(406) = 3.45$, $p < .001$, $d = 0.34$. We also found that participants in the personal-purchase condition focused significantly more on savings goals ($M = 4.69$, $SD = 1.93$) than participants in the gift-purchase condition ($M = 3.49$, $SD = 1.99$), $t(406) = 6.14$, $p < .001$, $d = 0.61$.

Additional Potential Explanations. We first compared the means of each of the seven accounts among participants in the personal- and gift-purchase conditions. Because we conducted seven separate *t*-tests, we adjusted the conventional alpha level (0.05) to 0.007 (0.05/7). Aside from preference uncertainty, we found a significant difference for each explanation between conditions. Compared with a personal purchase, participants making a gift purchase reported lower price consciousness and perceived ownership of money, and higher feelings of guilt, impression management, prosocial motivation, and perceived specialness ([table 1](#)).

TABLE 1
COMPARISONS BETWEEN PERSONAL AND GIFT BUDGETS
(STUDY 5)

Outcome variables	Purchase type				Gift–personal difference <i>t</i> -statistic
	Personal		Gift		
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	
Likelihood-to-choose at-budget item	3.62	2.66	4.54	2.73	3.45**
Savings goals	4.69	1.93	3.49	1.99	–6.15**
Preference uncertainty	2.77	1.47	2.87	1.49	0.65
Price consciousness	5.09	1.66	4.30	1.70	–4.79**
Perceived ownership of money	6.04	1.33	5.06	1.85	–6.09**
Guilt	1.89	1.14	2.82	1.82	6.19**
Impression management	1.40	0.92	2.50	1.76	7.85**
Prosocial motivation	5.08	1.16	5.56	1.24	4.05**
Specialness	3.87	1.53	4.56	1.46	3.98**

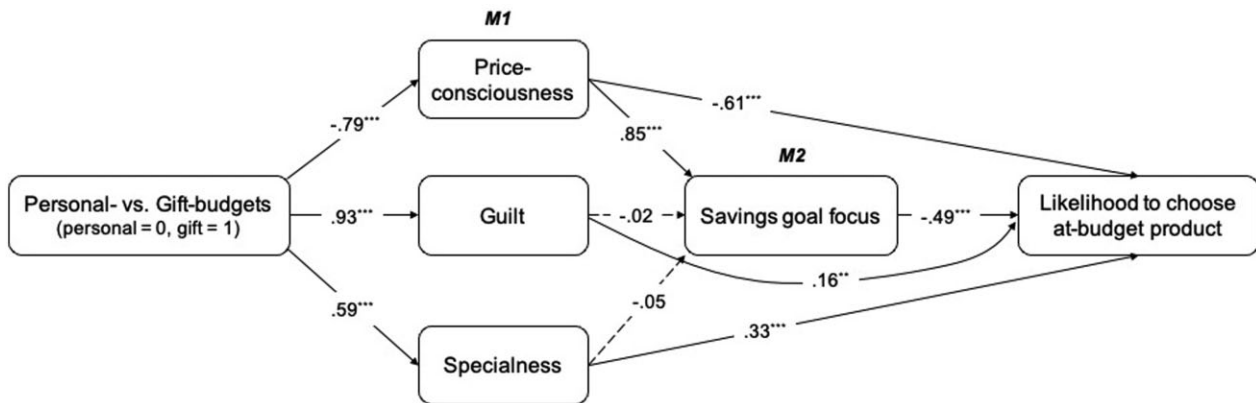
NOTE.—** denotes $p < .007$.

Next, we followed four steps (as pre-registered) to assess the role that each explanation might have on people’s budget-minimizing and -maximizing tendencies (see [web appendix E](#) for analyses and results). In step 1, we ran eight separate single mediation models, testing savings goals and each upstream explanation individually (again we adjusted the conventional alpha level to 0.006 to account for the multiple separate tests, 0.05/8). We identified five explanations (savings goals, price consciousness, guilt, prosocial motivation, and specialness) that significantly mediated the effect of personal and gift budget on participants’ preference for the at-budget item. In step 2, we tested the five significant explanations in a parallel mediation model and compared the indirect effects with each other. We found that participants’ focus on savings goals had the strongest effect of the five explanations, and prosocial motivation was non-significant. In step 3, we tested the indirect effect of savings goals as a significant mediator while controlling for the remaining three significant explanations (price consciousness, guilt, and specialness). We found that savings goals remained significant.

Finally, in step 4, we examined the relationship between the three remaining explanations and the savings goals explanation by conducting a serial-chain mediation model ([Hayes 2017](#); model 80; [figure 3](#)). Specifically, we examined the effect of purchase type on participants’ preference for the at-budget item with price consciousness, guilt, and specialness located (in parallel) as the first mediator in the chain (M1) and with savings goals located as the second mediator in the serial chain (M2). Using bootstrapping based on 5,000 samples, we tested the indirect effects for their significance. The model rendered a significant set of pathways for each mediator on purchase choice: price

FIGURE 3

PARALLEL-SERIAL MEDIATION MODEL (STUDY 5)



consciousness ($b = 0.485$, $SE = 0.126$, 95% CI: [0.252, 0.743]); guilt ($b = 0.152$, $SE = 0.061$, 95% CI: [0.044, 0.283]); and perceived specialness ($b = 0.192$, $SE = 0.064$, 95% CI: [0.080, 0.331]). Moreover, we found an indirect effect of price consciousness through savings goals ($b = 0.330$, $SE = 0.088$, 95% CI: [0.180, 0.527]). Notably, these effects are statistically unchanged should we analyze a similar model but with all seven accounts assessed in parallel in the M1 location.

Discussion

The findings in study 5 suggest that there are four explanations—savings goals, price consciousness, guilt, and specialness—that are relevant to explaining the divergent budget perceptions between personal and gift purchases. The consistent results from a pre-registered four-step plan provide evidence that of the possible factors, focus on savings goals is the most dominant process explanation. Study 5 further suggests why savings goals are more prevalent for personal purchases than for gift purchases. Consumers are more price conscious when spending money on themselves. Moreover, the results show that people budget maximize their gift purchases because they feel guilty when they spend less money on gifts and because gifts are seen as special. Thus, in support of hypothesis 3b, hypothesis 3d, and hypothesis 3g, these reasons help explain why people have lower savings goals for others' gifts, and why they aim to spend more of their budgets.

It is possible the effects emerged because the Pixie II (i.e., an at-budget product) was perceived as more hedonic than the Pixie I (i.e., an under-budget product)—seeing as how consumers prefer more hedonic and indulgent options

when choosing for others than for the self (Laran 2010; Lu et al. 2016). To address this possibility, we conducted a post-test and found that the Pixie II was indeed perceived as significantly more hedonic than the Pixie I (see web appendix E, post-test, for details). As such, we conducted a separate study that swapped the descriptions between the two products (i.e., in this study, Pixie II was given Pixie I's product description and vice versa; see study WA1 in web appendix F for details). Results showed that even when the descriptions were swapped, we replicated our effect. In this same study, we also measured the extent to which participants considered the hedonic versus utilitarian nature of the product options when making their choice. We found that these considerations do not significantly mediate the likelihood to select the at-budget product. All in all, these results suggest that the effect is robust to, and is not driven by, hedonic versus utilitarian perceptions.

STUDY 6: DISTINGUISHING PURCHASES FOR OTHERS FROM GIFT PURCHASES

In our previous studies, we tested scenarios that compared personal with gift purchases in which the personal purchases were not gifts and the gift purchases were for other people. However, there are instances when people purchase gifts for themselves and purchase non-gifts for others. For example, purchases for others could include everyday favors that are not considered gifts, such as buying a book for a child or picking up beer for a spouse (Liu et al. 2019). Likewise, while gift purchases are often intended for other people, they can also be made for the self, such as when celebrating personal achievements (Mick and DeMoss 1990).

To distinguish between these two choices, study 6 uses a 2 (recipient: self vs. other) \times 2 (purchase occasion: gift vs. non-gift) design. Based on the price consciousness and specialness findings from study 5, we predicted that “buying a gift for someone else” would yield both a significant main effect of recipient and purchase occasion. For the recipient effect, people may spend more on others because, regardless of whether they are buying a gift or non-gift, they are more price conscious when making decisions for themselves (Boncinelli et al. 2019; Liu et al. 2018). Likewise, for the purchase-occasion effect, people may spend more on gifts than non-gifts because, regardless of whether they are buying for themselves or others, consumers often feel that gifts celebrate special occasions and thus warrant extra spending (Shu and Sharif 2018; Sussman and Alter 2012). Putting the two main effects together, these factors are *both* present when “buying a gift for someone else.” Thus, we predicted an interaction such that budget-maximizing tendencies will be highest when the purchase is both for others and a gift.

Method

We recruited 509 undergraduate participants in exchange for partial course credit (53.8% female, $M_{\text{age}} = 20.83$, $SD = 1.41$). Study 6 tested a 2 (recipient: self vs. other) \times 2 (purchase occasion: gift vs. non-gift) fully within-subjects design, with each condition presented in randomized order. To manipulate the recipient, we asked participants to imagine that they had set a \$100 budget to buy a coffee maker for either themselves (self) or for their mother (other). To manipulate purchase type, we told participants to imagine that they were purchasing the coffee

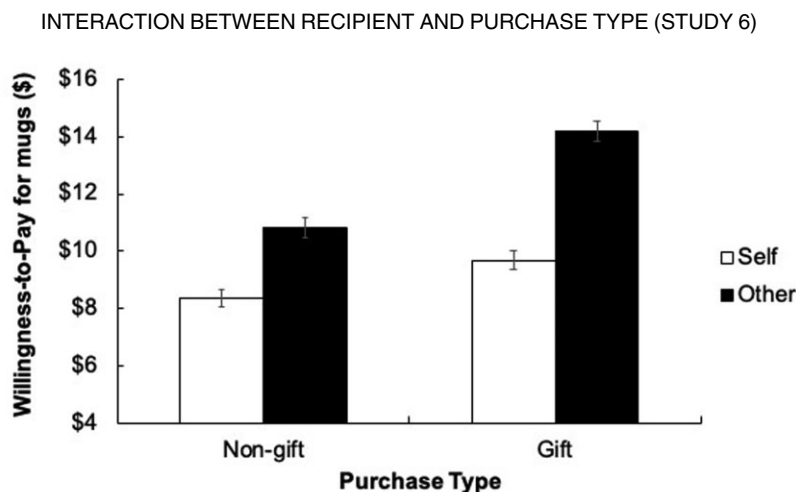
maker as either a birthday gift for themselves (vs. a Mother’s Day gift for their mother) or that they were purchasing the coffee maker because they (vs. their mother) needed one. As an attention check, participants recalled the budget of the purchase, the item, and the recipient described in the scenario.

Next, we told participants that the coffee maker at the store was priced at \$80 and asked them to indicate their WTP for an add-on pair of coffee mugs to buy with the coffee maker. Participants indicated their response on a slider scale with dollar values from \$0 to \$30. Twelve participants failed to answer the attention check correctly and were excluded from the analyses, rendering a final sample of 497 participants. The results are statistically indistinguishable from analyses that include the participants who failed the attention check.

Results

We conducted a 2 (recipient type: self vs. other) \times 2 (purchase occasion: gift vs. non-gift) repeated-measures ANOVA on WTP, which revealed significant main effects of both recipient type and purchase occasion. The WTP for the mugs was higher among participants who were buying for others ($M = \$12.51$, $SD = 6.90$) than among participants who were buying for themselves ($M = \$9.03$, $SD = 6.59$), $F(1, 496) = 167.23$, $p < .001$, partial $\eta^2 = 0.252$. We also found that the WTP for the mugs was higher among participants who were buying a gift ($M = \$11.94$, $SD = 6.48$) than among participants who were buying a non-gift ($M = \$9.60$, $SD = 6.33$), $F(1, 496) = 152.26$, $p < .001$, partial $\eta^2 = 0.235$. Of import, the interaction was significant, $F(1, 496) = 33.91$, $p < .001$, partial

FIGURE 4



$\eta^2 = 0.064$, indicating that the main effects were multiplicative (figure 4). Specifically, we found that participants purchasing a gift for others indicated the highest WTP for the add-on mugs ($M = \$14.19$, $SD = 7.48$) compared to each of the other three conditions: a non-gift for others ($M = \$10.83$, $SD = 7.66$), Tukey $t(496) = 12.12$, $p < .001$, a gift for the self ($M = \$9.68$, $SD = 7.38$), Tukey $t(496) = 13.84$, $p < .001$, and a non-gift for the self ($M = \$8.37$, $SD = 6.83$), Tukey $t(496) = 18.73$, $p < .001$. Further Tukey tests showed that participants purchasing gifts (vs. non-gifts) for themselves indicated a higher WTP, Tukey $t(496) = 5.46$, $p < .001$. Likewise, participants purchasing a non-gift for others (vs. themselves) indicated a higher WTP, Tukey $t(496) = 7.71$, $p < .001$.

Discussion

Results from this study replicate our prior studies and support hypothesis 1. We found that participants were willing to spend more of their budgets when buying gifts for others than when buying non-gifts for themselves. While our prior studies focused on the most prevalent type of gift purchase (choosing gifts for others, as opposed to gifts for the self) and the most prevalent type of personal purchase (choosing non-gifts for the self, as opposed to gifts), this study disentangles gifting from interpersonal purchases and finds a role for both factors. Participants were willing to spend more when purchasing for others than for themselves, regardless of whether they were buying gifts or non-gifts. Likewise, participants were willing to spend more when purchasing gifts than non-gifts, regardless of whether they were buying for others or for themselves. Put together, these results suggest that the divergent effects of budgeting for personal and gift purchases are related to both purchasing *for others* and purchasing *gifts*—and that the difference is greatest when purchasing *gifts for others*.

STUDY 7: REAL SHOPPING CONTEXT

In our previous studies, we found that participants perceived gift budgets differently from personal budgets by testing mainly hypothetical gift and personal purchases (in study 1, we tested past gift and personal purchases that participants recalled). In our final study, we conducted a field experiment using real spending decisions. In this study, we gave participants \$10 and asked them to buy a gift for a friend or for themselves. Given the results in study 4, which showed that both an explicit and implicit budget renders divergent spending decisions for personal and gift purchases, we reasoned that our instructions to buy something with the \$10 would be viewed as an implicit budget. Thus, we compared how much of the \$10 endowment participants spent in each condition, with the prediction that personal-purchasing participants spend an amount that is

significantly below \$10, whereas gift-purchasing participants spend an amount equal to \$10.

Method

We recruited 297 undergraduate participants, asking each to bring a friend with them to our laboratory (we informed participants they could only be in one pair, and we checked to ensure that all pairs contained unique participants). We randomly assigned pairs to a personal-purchase condition or a gift-purchase condition. We gave one person in the pair \$10 (unbeknownst to the other participant in the pair), and, according to the condition, instructed them to use the \$10 “to buy a gift for yourself within the following week” (personal-purchase condition) or “to buy a gift for your friend within the following week” (gift-purchase condition). We conducted a post-test confirming that the \$10 endowment was indeed perceived as a budget (see web appendix G for details). We told participants that we would email them a short follow-up survey after one week. As promised, we emailed participants one week later and asked them to indicate what they purchased and how much their purchase had cost. Participants were allowed to keep any extra money and were not given additional instructions on how to spend the money.

Results

Most of the items purchased by participants were material or consumable goods, with equal distributions thereto between conditions (see web appendix G for full details). Participants purchased a variety of products, including snacks, coffee, water bottles, or cosmetic products; most purchases were small items given the \$10 budget. Personal purchases were more likely to include food and beverages (e.g., candy, coffee), while gift purchases were more likely to include home décor items (e.g., candles, picture frames, water bottles).

We found that participants in the personal-purchase condition spent, on average, \$8.80 ($SD = 4.66$). In contrast, participants in the gift-purchase condition spent, on average, \$9.59 ($SD = 4.58$). We tested whether these amounts vary from the \$10 endowment. In line with hypothesis 1, participants in the personal-purchase condition spent significantly less than their \$10, $t(139) = 3.05$, $p = .003$, $d = 0.26$, whereas participants in the gift-purchase condition spent an amount that did not significantly differ from \$10, $t(156) = 1.12$, $p = .267$. These results support our hypothesis that people prefer to spend the entirety of their budgets for gifts and prefer to spend less than their budgets for personal purchases.

Of note, we found that although personal purchasers spent less money than gift purchasers, this difference was not statistically significant ($M_{\text{personal}} = 8.80$ vs. $M_{\text{gift}} = 9.59$), $t(295) = 1.48$, $p = .140$, $d = 0.17$. Nonetheless, the

findings are consistent with hypothesis 1, showing that participants who made personal purchases spent significantly less than their budget, whereas participants who made gift purchases spent an amount closer to their budget.

Discussion

These results provide field evidence showing that gift-purchasing participants prefer to spend their entire budget when buying a gift, demonstrating that consumers have a budget-maximizing tendency when buying gifts. In contrast, consumers prefer to spend less than their budget when making a personal purchase, demonstrating that consumers have a budget-minimizing tendency when spending money on themselves. It is noteworthy that we observe these effects in a setting in which there is no *in situ* established reciprocity between givers and receivers. In our study, we asked participants to buy an ad hoc gift for a friend. In some gift-choice instances, there could be pressure to spend all of a budget (e.g., if it was agreed between people to spend \$50 for a gift, then it could look cheap to spend less than \$50). However, in our study, only one person in the pair was spontaneously buying a gift for the other; therefore, there is little concern that a gift would have to “match” its value to an item gifted in a previous or present time. Besides showing support for hypothesis 1 with a different dependent measure, a major benefit of study 7 is that it finds the effect in a setting containing real shopping behaviors (Blair and Roesse 2013; Chan and Mogilner 2016; Cutright 2012). Specifically, it allowed participants to make personal and gift purchases in a manner that is more similar to how people make purchase choices ordinarily, in the “wild” from an actual store with money.

GENERAL DISCUSSION

Summary of Results

Across our studies, we found that consumers treated budgets differently depending on whether their budgets were for personal purchases or gift purchases. Consistent with the traditional meaning of a mental budget, consumers perceived personal budgets as a spending amount that is preferably minimized. In contrast, consumers perceived gift budgets as a spending amount that is preferably maximized—by which consumers aim to spend all of their budgets. We further provided process evidence of this difference by demonstrating that consumers maximize gift budgets because savings goals are less prevalent when purchasing gifts.

In support of our hypotheses, study 1 provided a qualitative exploration of how consumers perceive personal and gift budgets. In studies 2A and 2B, we assessed consumers’ preferences for choosing a below-budget versus at-budget product (and an over-budget product in study 2A). We

showed that consumers’ savings goals predicted their preferences (study 2B). It is worth highlighting that gift purchasers were not more likely to purchase *over*-budget items than personal purchasers. This suggests that gift budgets beget a goal to maximize spending *within* the budget, rather than to maximize spending *regardless* of the budget—an effect we found in all studies that compared budget maximizing with spending maximizing (studies 1, 2A, 3, and 7).

Studies 3 and 4 provide further evidence for the centrality of budget perceptions in the effect. In study 3, we manipulated the slack in a budget, finding that consumers spent more on gifts than on personal purchases under budget slack, but not when they have already spent their budgets in entirety. This shows that consumers treat their gift budgets like benchmarks that they want to meet. In keeping with our proposed mechanism, focus on savings goals mediated consumers’ tendency to maximize their budgets and add to their purchases. In study 4, we unlocked more evidence for the effects of budgets on spending and divergent perceptions thereof. We observed consistent effects for explicit and implicit budgets; however, the differences in gift and personal spending were attenuated when the budget was absent.

Studies 5 and 6 were designed to deepen our understanding of the underlying process. In study 5, we replicated prior findings that differences in savings goals mediate consumers’ budget-maximizing and -minimizing tendencies, while also observing a role for price consciousness, guilt and perceived specialness in the effect. Then, in study 6, we disentangled the effect of choosing for others versus gifts by manipulating each choice. We found that people spent more of their budgets when making decisions for others (vs. for themselves) and when buying gifts (vs. non-gifts); moreover, the difference was greatest when buying gifts for others.

Finally, in study 7, we found evidence in the field. We gave money to participants, enabling them to spend \$10 wherever they please, with the only restriction being that they spend it either on themselves or on others as a gift. Participants who made gift purchases spent a near-exact amount of their endowment (evidence of budget maximizing). In contrast, participants who made personal purchases spent significantly less than their endowment (evidence of budget minimizing). In a departure from experiments that employ hypothetical scenarios or “lab stores,” participants in study 7 could shop in a more lifelike setting.

We explored the effect of personal and gift budgets on spending across a variety of different scenarios and product categories. In [web appendices H and I](#), we report two additional studies that test the robustness of the effect across two common gifting scenarios. One study tested a choice where preferences of the gifting recipient were known, as is the case when purchasing from a gift registry. We found that the effect evidenced regardless of whether gift

preferences were known or unknown (study WA2). The other study tested the purchase of a gift for someone who varied in their level of social distance to the giver. We found that the effect evidenced when purchasing for both close and distant relatives (study WA3).

All told, we tested the effect among 4,127 total participants, across several changes in procedure, design, and sample characteristics. We used content analysis in study 1 and tested underlying processes using mediation, moderation, moderated mediation, and multiple serial and parallel mediations across studies 2B through 5. Finally, we ran a field study, testing our research in a manner that consumers actually make purchase decisions (study 7). It is encouraging that our effect sizes are similar across lab and field studies (see [web appendix J](#) for a table of studies' effect sizes). In particular, study 1 had large effect sizes, demonstrating that the effect emerges in real shopping decisions, in spite of the wealth of factors that could otherwise affect people's gift and personal purchases.

Robustness Checks

Savings Goals. The savings-goals index used in studies 2B and 3 included items about both saving and spending because people often save more by spending less. However, spending less is not the only way that people may save money, and it may be more consistent with our conceptualization to focus solely on savings goals. In [web appendix K](#), we report re-analyses of the mediations in studies 2B and 3 using only the savings-related items of the scale. Results are consistent; we observed that the savings items significantly mediated the effect of gift versus personal purchases. Moreover, the mediation results were not significant when using only the spending items of the scale. In study 5, we measured only the savings items of the savings-goal index and replicated the mediation. Together, these findings provide additional support for the notion that the divergence in budget-minimizing and -maximizing tendencies is driven by the degree to which people focus on *savings* goals rather than *spending* goals.

Budget Size. We also tested whether budget-maximizing and -minimizing perceptions differed by budget size. While we held constant the budget size in most studies, our data from study 1 contained a wide range of budget sizes, from \$0 to \$17,000. We conducted two separate logistic regressions, one for personal purchases and one for gift purchases, with budget size as the independent variable and participants' budget-maximizing and -minimizing tendencies as the dependent variable (0 = spending less than the budget, 1 = spending around the budget). We did not find evidence of a relation between these variables (personal purchases, $p = .366$; gift purchases, $p = .814$). This pair of findings would suggest that budget size does not alter the results.

Exclusions. The results of our studies were consistent both with and without excluding participants who failed the attention check ([web appendix L](#)).

Potential Boundary Conditions

Non-Monetary Aspects. All told, our studies provide confidence in the robustness of the difference in perceptions between gift and personal budgets. Nonetheless, there may be additional moderators that we have not tested. For example, one potential boundary condition is the non-monetary aspect associated with gift purchases. There are instances in which gift recipients may seek out the value of the gifts (i.e., looking a gift horse in the mouth; [Sherry et al. 1993](#)). Givers may be aware of this tendency—in fact, they may embrace it by purposefully selecting gifts that will impress in the moment, such as choosing a dozen roses in bloom over twice as many roses that are about to bloom ([Yang and Urminsky 2018](#)), or by choosing gifts that come in expensive-looking gift-boxes ([Cheng et al. 2021](#)). Relatedly, givers might feel embarrassed or cheap when spending under budget. These are unique concerns to gift giving because consumers should feel little pressure to impress themselves. But this begs questions like whether givers are spending too much money on others. Research has shown that gift recipients are relatively indifferent to how much givers spend; yet, givers feel like the price of their gifts matters and communicates affection and thoughtfulness ([Cheng et al. 2021](#); [Flynn and Adams 2009](#)). Furthermore, money is not the only gift-giving resource; consumers can spend time or effort in searching for, or hand-making a gift. An open question is to what extent (if any) consumers consider the spending of non-monetary resources on their budget-maximizing tendencies. Quite possibly, the more difficult it is to acquire a gift, the more consumers relax their budget-maximizing tendencies. In essence, the time and effort spent may be accounted for in consumers' gift budgets.

Linguistic Differences. It is also interesting to consider whether the divergent effect of gift versus personal budgets on spending decisions emerges from a linguistic difference when using the word “budget.” It is possible that a budget can be defined as the maximum amount one *can* afford to spend in some circumstances, while it can also be defined as the approximate amount one *wants to* or *should* spend. Consumers may have two unique mental constructs while using the same term “budget.” It is possible that such a linguistic difference plays an upstream role in our effect. A qualitative approach to investigate the potential linguistic difference may be a valuable future exploration.

Complementarity of Add-On Purchases. Finally, it is worth studying the complementarity between the primary purchase and the add-on product. In studies 3, 4, and 6, we measured WTP for an add-on product. We used college-

logo coffee mugs as the add-on to a college-logo sweatshirt (study 3), a pack of fleece socks as the add-on to a fleece sweatshirt (study 4), and a pair of mugs as the add-on to a coffee maker (study 6)—all items that complement the main purchase. It is an open question if participants would show the same tendencies when the add-on item is less related to the main purchase.

Theoretical Contributions

Traditionally, budgets are set up to minimize spending, and this is indeed the case for personal purchases. But for gift purchases, the budget takes on a different meaning—it is viewed as a maximizing goal by which consumers aim to spend all of their budgets. While prior research in mental budgeting considers budgets broadly as a tool to curb spending and enhance self-control, we provide a novel point of view where a mental budget could represent a goal amount that engenders either minimizing or maximizing. Thus, keeping a budget constant renders different consumer behaviors in terms of how a budget is perceived (as an amount that should be “more than” the purchase price, or “equal to” the purchase price), and the spending that follows.

Our findings contribute to the gift-giving literature. Most prior research on gift giving has examined asymmetrical giver–receiver disparities in gift-giving preferences (Galak et al. 2016; Zhang and Epley 2012), covering a wide range of preferences, from the differences in giving material/experiential gifts, expressive gifts, socially responsive gifts, shared gifts, or sentimental gifts (Cavanaugh et al. 2015; Chan and Mogilner 2016; Givi and Galak 2017; Paolacci, Straeter, and Hooze 2015; Polman and Maglio 2017). Our research broadens the understanding of gift-giving behavior using a practical factor—how much money consumers spend on gifts—and shows that budgeting for a gift leads consumers to aim for buying a gift at their budget’s higher end. Accordingly, we find that consumers spend more of their budgets on others—a thrifter-for-me effect.

Findings from our research provide support for the general idea that consumers perceive others’ consumer behaviors differently from their own. By exploring gift giving as one of the dominant other-directed behaviors, we document an underlying reason for why consumers behave differently when making personal purchases versus gift purchases—because consumers perceive budgets differently when choosing a gift versus choosing something for the self. This pattern suggests a novel perspective on self-judgment and social judgment. For example, a consumer may justify treating a friend to an indulgent pleasure but shake their head and balk at their own indulgence, seeing it as excessive, unhealthy, or materialistic. In such situations, we may observe behaviors that illustrate a rare double standard that favors others, whereby consumers maximize

others’ consumption through gift giving yet condemn their own matching consumption.

Practical Implications

Firms might consider how bundling their products can take advantage of consumers’ budget-minimizing and -maximizing tendencies. For personal purchases, less may be more, but for gifts, consumers may prefer additional products that they can add to their purchases. Salespeople could be trained to ask customers what their budgets are and then help accordingly. For example, reminding customers of their budgets may prompt gift purchasers to consider buying additional items. However, it follows that among personal purchasers, consumers may buy fewer items. Around the holidays, when consumers are buying gifts, firms might consider advertising products that are akin to add-on items that are promoted to “complete” one’s budget.

Our findings may also have implications for gift pricing. While consumers typically set their budgets with round numbers, it may be rare for consumers to find an item that exactly matches their budgets. For gifts, marketers may opt to price their products with similarly round numbers. This can reduce the effort consumers spend in searching for a gift that meets their budget. Or, in keeping with the idea of promoting “budget-meeting” items, when consumers are shopping online and placing items into their shopping carts, firms could recommend specifically priced products that would total a consumer’s overall purchase to a round number, anticipating or predicting that a consumer is searching for a gift with a specific budget in mind.

Finally, our research could provide insights for self-gifting. The salesperson who aims to increase sales might encourage consumers to reframe a personal purchase as a gift. In this way, consumers may feel that their purchase is more special, be less price conscious, and spend more on their purchases. Alternatively, the consumer who aims to save more money might consider reframing self-gifts as everyday personal purchases, which could help them curb their spending.

CONCLUSION

Consumers usually set budgets to minimize their spending. Our research suggests that budgets can take on a different psychological meaning depending on whether a budgeted purchase is a personal- or gift purchase. We found that consumers aim to spend less than their budgets for personal purchases and spend more of their budgets for gift purchases. Altogether, our research shows that budgets are mentally flexible and provoke different goals, which affect how (and how much) consumers spend.

DATA COLLECTION INFORMATION

The data for studies 1, 3, and 4 were collected at Texas A&M University in September 2018, November 2019, and February 2020, respectively. The data for studies 2A, 2B, 6, WA2, and WA3 were collected from Amazon Mechanical Turk (MTurk) in May 2021, May 2019, February 2021, November 2020, and March 2021, respectively. The data for studies 5 and WA1 were collected from Prolific in May 2022 and October 2022, respectively. The data for study 7 were collected at the University of Wisconsin–Madison in May 2018. The first author collected and analyzed the data for studies 1–6 and WA1–WA3 under the supervision of the second author and the third author. The third author collected and analyzed the data for study 7. All data and materials are available at: <https://tinyurl.com/4aun99vp>.

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