

Concept

Sunk cost effect

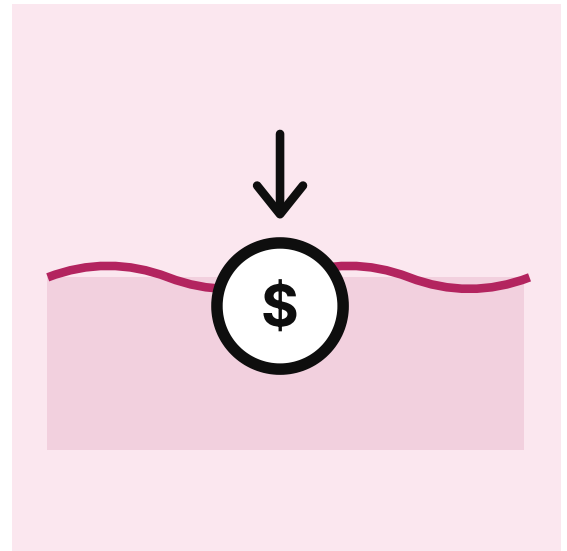
We stick with something because we have already invested money, time or effort in it, even when continuing doesn't serve us.

In Spanish

Costo hundido

Origin

Thaler (1980); Arkes and Blumer (1985)



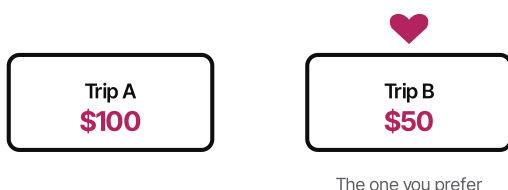
What problem it addresses

It explains why we finish a movie we don't like, keep projects that don't work or use what we paid for even when we no longer feel like it.

An example

You have paid for two trips on the same weekend: one for \$100 and another for \$50 that you prefer. You can't get a refund for either.

The situation



Same weekend. Neither can be refunded.

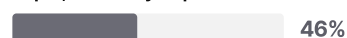
The money is already spent in both cases.
The sensible thing is to go **on the one you prefer**.

What people chose

Trip A, the \$100 one



Trip B, the one you prefer



Percentage who chose each option

54% went on the trip **that cost \$100**.

Neither choice got the money back, but the more expensive trip weighed more than enjoyment.

Why it happens



1 Seeing what we invested go to waste hurts, and we want to avoid it.



2 Carrying on feels like not wasting, even though what was spent won't come back.



3 Quitting would seem to admit that we were wrong.

Applications in design

✓ Use it like this

Help people decide by looking ahead: what the person gains from now on.

✗ Avoid

Reminding people what they have already paid so they won't cancel something that doesn't serve them.

👁 Don't fall for it

Ask yourself: if I hadn't paid anything, would I keep going with this?

4.11 vs 3.3

Discounted



Full price



What the research says

Plays seen on average in the first half of the season: those who paid full price for the season ticket versus those who got it at a discount (Arkes and Blumer, 1985).

● ● ● **Solid evidence.** In the second half of the season the difference disappeared: the weight of past spending fades over time.

Connections

Used in

■ Product design

Related to

■ Loss aversion

■ Mental accounting

Authors and works

1980	Richard Thaler	Described it as one of the consumer behaviors that classical economics doesn't explain.
1985	Hal Arkes and Catherine Blumer	Demonstrated it with dilemmas and with a real experiment on theater season tickets.

Sources

Original sources

- Arkes, H. R., & Blumer, C. (1985). The psychology of sunk cost. *Organizational Behavior and Human Decision Processes*, 35(1), 124–140. [View source \(https://doi.org/10.1016/0749-5978\(85\)90049-4\)](https://doi.org/10.1016/0749-5978(85)90049-4)
- Thaler, R. (1980). Toward a positive theory of consumer choice. *Journal of Economic Behavior & Organization*, 1(1), 39–60. [View source \(https://doi.org/10.1016/0167-2681\(80\)90051-7\)](https://doi.org/10.1016/0167-2681(80)90051-7)

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