Emotional Shocks and Consumer Spending

Qingyin Cai[†]
Department of Applied Economics
University of Minnesota

Qingxiao Li[‡]
Department of Agricultural Economics & Agribusiness
Louisiana State University

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[†] Department of Applied Economics, University of Minnesota. E-mail: cai00154@umn.edu
[‡] Department of Agricultural Economics & Agribusiness, Louisiana State University. E-mail: qli@agcenter.lsu.edu

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[1] Department of Applied Economics, University of Minnesota
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Motivation

- There is growing interest in the role of emotions in advertising, consumer decision-making, and retailing (Das & Varshneya, 2017).

- Although previous studies have focused on emotional cues within shopping environments and their influence on consumer expenditure (Cachero-Martínez & Vázquez-Casielles, 2021), the impact of direct emotional shocks from daily life on spending patterns remains underexplored.

- Following Card & Dahl (2011) and Eren & Mocan (2018), we utilize the unexpected outcomes of significant sports events to induce emotional shocks in consumers and examine their subsequent behavioral changes in spending.

Objectives

- We examine the impact of emotional shocks on consumer spending behaviors by leveraging the unexpected outcomes of National Football League (NFL) games as a natural experiment.

Empirical Methodology

- $Ln(S_{iks}) = \lambda_0 + \lambda_1 UpsetLoss_{ks} + \lambda_2 CloseLoss_{ks} + \lambda_3 UpsetWin_{ks} + \lambda_4 PredictedWin_{ks} + \lambda_5 PredictedClose_{ks} + \lambda_6 PredictedLoss_{ks} + X'_{iks}\beta + \mu_i + \gamma_k + \sigma_s + \varepsilon_{iks}$

- where S_{iks} is the amount of dollar spent on goods by HH i on week k in game season s

- Predicted results based on the Las Vegas pregame point spread

Data

- The dataset includes NFL regular seasons from 2004 to 2019

- NielsenIQ Consumer panel data with purchase records of 81, 986 households

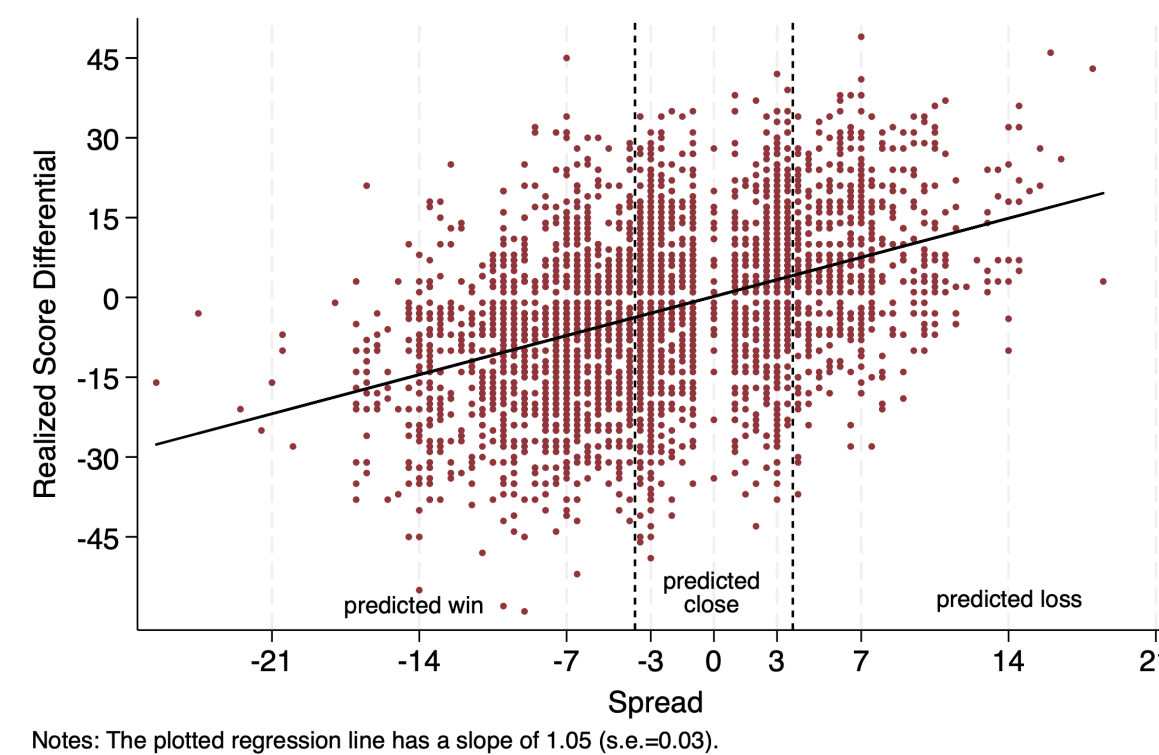- Collected NFL game information

Figure 1 Realized score differential (opponent - home) and pregame point spread

Results

- Upset losses lead to higher total spending (1.3%~5.4%), food spending (1%~4.6%), and alcohol spending (0.3%~1.2%). Losses in closely contested games yield minimal effects.

- Upset wins lead to a reduction in household spending.

- The effects are more substantial during high-stakes games.

- The impact on consumer spending of negative emotions lasts for a short-term period (1~3 days) after the game.

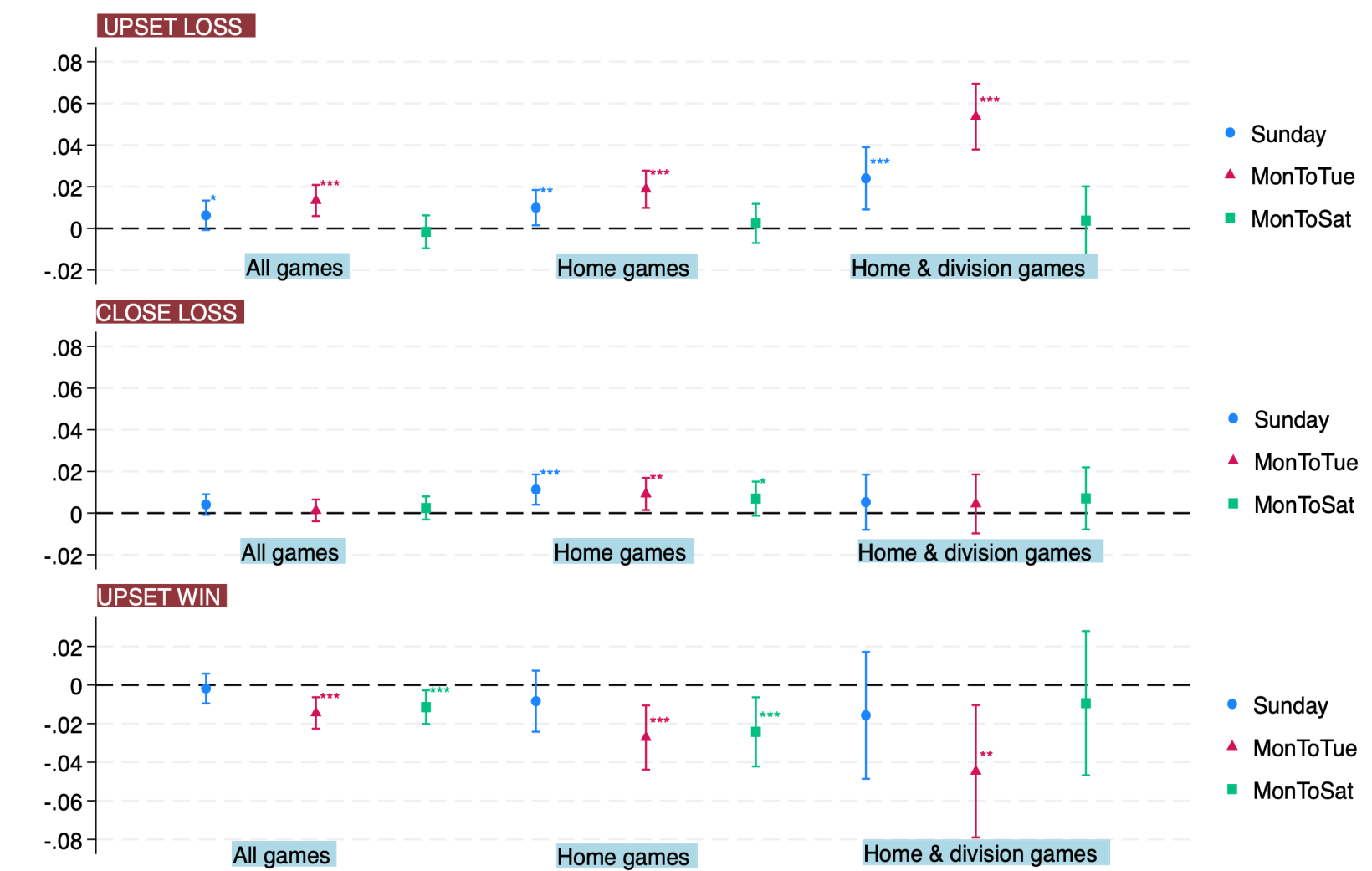- Early games impact game day spending more

Figure 2 The effects of emotional shocks from NFL games on household total spending

Conclusions

- Emotional shocks directly affect consumer spending behavior, but the effects are short-lived.

- Our findings enhance the understanding of individual responses to unexpected emotional shocks and provide evidence for the role of emotions in consumer behavior.

References

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Contact information: cai00154@umn.edu; qli@agcenter.lsu.edu