

MARKETING COLLOQUIA

Fall 2023 - Abstract

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Where: 741 JMHH

When: 12:00 PM to 1:20 PM

CONSUMER WEALTH AND PRICE EXPECTATIONS

ABSTRACT:

Prices have reached record-high levels, and inflation is one of the primary concerns for consumers worldwide. Interestingly, changes in prices are in part a self-fulfilling prophecy: if consumers expect prices to rise, prices will rise. Moreover, consumers' future price expectations affect policymaking, firms' decisions, and consumer choice. Across 16 studies (N = 294,950), including a nine-wave longitudinal study, a multinational study in eight countries, a multidecade study with 250,000+ consumers, proprietary data from the Federal Reserve, and multiple experiments, we show that consumers who feel more financially constrained expect future prices to be higher, compared to consumers who feel less financially constrained. This effect occurs because financially constrained consumers rely more on their perceptions of current prices (instead of other factors) when forecasting prices. Accordingly, this effect attenuates when current prices seem less relevant to the forecast and amplifies when current prices are perceived as expensive. Critically, we show that higher future price expectations predict greater spending, lower savings, and more debt among financially constrained consumers. Overall, the current work underscores the role of future price expectations as a key driver of consumer behavior, demonstrates how these expectations are formed, and offers insights for consumers, marketers, and policymakers.