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Are Consumers with Fewer Friends More Likely to Take Financial Risks?

Feeling socially isolated causes consumers to pursue riskier but potentially more profitable financial opportunities, according to a new study in the [Journal of Consumer Research](#).

“Seeking social acceptance and maintaining close relationships are among the most fundamental and universal human needs. Consumers are often willing to invest or sacrifice important resources to secure social bonds. In the absence of social support, consumers seek significantly more money to secure what they want out of the social system surrounding them. Feeling socially rejected triggers riskier financial decision-making,” write authors Rod Duclos (Hong Kong University of Science and Technology), Echo Wen Wan (University of Hong Kong), and Yuwei Jiang (Hong Kong Polytechnic University).

Feeling alone or rejected is a common experience. Romantic relationships end, people are ignored at parties or in office conversations, and offers of friendship are frequently rebuffed. In the absence of social support, do consumers seek and value money as an alternative means to get what they want out of the social system? And does this lead to greater financial risk-taking?

In one study, consumers were asked to recall a social situation that left them feeling either included or excluded. They were then asked to choose between a set of high-odds/low-reward and low-odds/high-reward gambling options. Feeling rejected fostered riskier decisions. However, this effect was mediated by the perceived instrumentality of money. That is, in the absence of social support, excluded consumers started to seek and value money as an alternative means to secure what they want out of the social system.

“Given the necessity of balancing between risk and financial reward in many important financial decisions (saving for college or retirement, deciding how to pay for health care and insurance, investing in the stock market), understanding how consumers trade risk for reward could help them make more informed decisions. For example, consumers might choose to delay important financial decisions following a breakup or a falling out with friends, colleagues, or family,” the authors conclude.

Rod Duclos, Echo Wen Wan, and Yuwei Jiang. “Show Me the Honey! Effects of Social Exclusion on Financial Risk-Taking.” *Journal of Consumer Research*: June 2013. For more information, contact Rod Duclos (mkrod@ust.hk) or visit <http://ejcr.org/>.

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