



Global Review of Business and Technology (GRBT)

Vol. 3, No. 2, July, 2023

ISSN: 2767-1941

EXPLORING THE IMPACT OF FOMO ON CONSUMER BEHAVIOR AND DECISION MAKING IN THE DIGITAL ECONOMY

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ABSTRACT

In the fast-paced and interconnected world of the digital economy, the phenomenon of "Fear of Missing Out" (FOMO) has gained significant prominence. FOMO is characterized by an individual's anxiety over missing out on experiences, products, or opportunities, primarily driven by the constant exposure to information and choices in the digital realm. This study provides an overview of the research that delves into the profound impact of FOMO on consumer behavior and decision making. The study employs a mixed-methods approach. Findings reveal that FOMO has pervasive impact on consumer decision-making in the digital economy. This research sheds light on the intricate relationship between FOMO and consumer behavior in the digital economy. By comprehending the nuances of FOMO and its impact, businesses and marketers can adapt to the evolving consumer landscape, ultimately fostering a more informed and conscious digital marketplace.

Keywords: Fear of missing out (FOMO), Consumer Behavior, Consumer Choices, Consumer Decision Making, Marketing, and Digital economy.

1. INTRODUCTION

In the ever-evolving landscape of the digital economy, the phenomenon of "Fear of Missing Out" (FOMO) has captured the attention of researchers, marketers, and businesses alike. The phenomenon of "Fear of Missing Out" (FOMO) has gained significant prominence in digital economy. FOMO is characterized by an individual's anxiety over missing out on experiences, products, or opportunities, primarily driven by the constant exposure to information and choices in the digital realm.

Przybylski et al. (2013) indicated in their study that FOMO is the pervasive feeling of anxiety and unease that individuals experience when they believe they are missing out on valuable experiences, products, or opportunities, largely due to the constant inundation of information and choices in the digital realm. FOMO refers to the fear that individuals experience when they believe others are having rewarding experiences from which they are absent. FOMO is defined as "the apprehension that one is not in the know or missing out on something significant." (Przybylski et al., 2013).

The Fear of Missing Out (FOMO) is a psychological phenomenon that has gained prominence in the context of the digital economy. Therefore, it has been recognized as a significant factor influencing consumer behavior and decision making. The digital era has ushered in a new era of consumer behavior, with FOMO as a defining characteristic. Consumers, driven by FOMO, seek instant gratification, comparison with others, and the validation of their choices through social engagement (Kuss et al., 2017). Dooley, (2022) in his study showed that the digital environment, particularly social media, online advertising, and e-commerce platforms, serves as the fertile ground upon which FOMO takes root and thrives, influencing choices and actions of consumer in unprecedented ways.

Research Objectives:

This paper aims at investigating how FOMO driven marketing strategies and social media influence consumer choices, and their implications on businesses and individuals. In addition, apart from this, this study examines how FOMO influences consumer behavior and shapes decision-making processes in the digital context. It investigates the psychological and emotional triggers associated with FOMO, such as social comparison, the desire for instant gratification, and the need for social validation, and how these factors drive consumers to make impulsive decisions in the digital environment. Furthermore, the research explores the role of social media, online advertising, and e-commerce platforms in exacerbating FOMO and its consequences on consumer choices.

Exploration of Digital Channels:

The paper appropriately explores the role of digital channels, including social media, online advertising, and e-commerce platforms, in exacerbating FOMO. This recognition is crucial as it acknowledges the dynamic and interconnected nature of the digital economy and its impact on consumer choices. The Fear of Missing Out (FOMO) is a psychological phenomenon that has a significant impact on consumer behavior and decision-making in the digital economy. Here's an explanation of how FOMO influences consumers:

1.1. Social Validation: Kuss et al. (2017) Showed in their study that FOMO is driven by the desire to be part of something that others are enjoying or experiencing. In the digital age, this often translates into consumers making purchasing decisions based on what they see on social media, such as friends' vacation photos, product endorsements, or event attendance. The fear of missing out on these experiences can prompt individuals to make impulsive buying decisions to stay socially connected (Bakioglu et al., 2022).

1.2. Limited-Time Offers: Marketers often use limited-time offers and exclusive deals to trigger FOMO. Consumers feel compelled to act quickly to take advantage of these opportunities, fearing they might miss out on a great deal. This urgency can lead to impulse purchases and increased sales for businesses.

1.3. Peer Pressure: Social media platforms and online reviews enable consumers to see what their peers are buying and recommending. FOMO can lead individuals to conform to popular trends and buy products because they fear being left out or judged for not having what everyone else does (Bruijn, 2021).

1.4. Information Overload: The digital economy provides consumers with a vast amount of information and choices. FOMO can overwhelm consumers as they fear missing out on the best option. This can lead to decision paralysis or frequent changes in preferences, making it challenging to make informed and satisfying choices (Gaertner, 2019).

1.5. Continuous Engagement: Social media platforms and digital services are designed to keep users engaged and constantly checking for updates. The fear of missing out on the latest posts, news, or trends can lead to increased screen time and distraction, affecting productivity and overall well-being (Gupta et al. 2021).

1.6. Impulse Buying: (Karapinar et al., 2019) purported in their study that FOMO often results in impulse purchases, as consumers may buy products or services without proper evaluation or budget consideration. This can lead to overspending and buyer's remorse.

1.7. Brand Loyalty: Businesses can use FOMO as a tool to build brand loyalty. By consistently offering unique and exclusive experiences to their customers, they can create a sense of belonging and a fear of missing out on what the brand has to offer (Zhang, 2018).

Thus, FOMO in the digital economy has a profound impact on consumer behavior. It drives impulsive decision-making, influences purchasing choices, and affects how individuals interact with digital media and online opportunities. (Hodkinson, 2016) Businesses and marketers often leverage FOMO to boost sales and engagement, making it a crucial factor to consider when understanding and catering to consumer preferences in the modern era.

2. REVIEW OF LITERATURE

The concept of "FOMO," or Fear of Missing Out, has gained significant attention in the context of consumer behavior and decision making in the digital economy. Here are some key themes and sources related to this topic:

Przybylski et al. (2013) in their study explores the psychological underpinnings of FOMO, shedding light on the motivation, emotions, and behaviors associated with this phenomenon. It provides insights into how FOMO can influence decision making and consumer behavior.

Impact on Social Media Usage: FOMO has a substantial impact on social media engagement. Przybylski et al. (2013) found that those experiencing FOMO tend to use social media more frequently to stay connected and avoid missing out on information.

Psychological and Sociological Aspects of FOMO: Explore the psychological and sociological factors that contribute to FOMO in the digital age. FOMO is associated with various psychological factors, including social comparison and the fear of exclusion. Investigate the emotional and social drivers behind FOMO and how they influence consumer behavior (Alabri, 2022). Studies like "Psychological Predictors of FOMO" by Błachnio et al. (2018) examine the psychological aspects of FOMO and how it influences consumer behavior and also identified that FOMO is linked to lower life satisfaction and higher levels of depression.

Dhir et al. (2018) in their research investigated the relationship between FOMO and psychological well-being in the context of social media use. It highlights the potential adverse effects of FOMO on individuals and its relevance to digital behavior.

Marketing and Advertising Strategies: Wirtz et al. (2016) research on "FOMO and Social Media: How Fear of Missing out Affects Social Media Use and Advertising Response" discusses marketing and advertising strategies in the context of FOMO. Marketers leverage FOMO by creating a sense of urgency in their advertising campaigns. This paper demonstrated that FOMO influences advertising responses and engagement on social media.

Mitigation and Coping Strategies: S. Al-Menayes' paper, "Understanding Fear of Missing Out (FOMO): An Integrative Review," explores research on strategies to mitigate FOMO's negative effects on consumer behavior. Al-Menayes (2016) suggested that understanding FOMO and its underlying triggers can aid in developing coping mechanisms.

Kuss et al. (2017). This study provides valuable insights into the addictive aspects of social networking sites, including the role of FOMO in reinforcing compulsive behaviors. It underscores the connection between FOMO and digital addiction.

Juvan et al. (2017) in their research, explores the connection between FOMO and self-control in the context of social media usage. It offers a perspective on how FOMO can impact choices and self-regulation in the digital realm.

Impact on Social Media Usage: A. Przybylski et al.'s work on "Fear of Missing Out: Prevalence, Dynamics, and Consequences of Experiencing FOMO" explores how FOMO influences social media usage and engagement.

Chae (2015) What is Snapchat and why do kids love it? This study delves into the popularity of Snapchat, a platform known for its ephemeral content, and the role of FOMO in driving user engagement. It provides insights into how FOMO can be harnessed by digital platforms.

Consumer Decision Making: J. Wong and Y. Yoo's paper, "The Role of Social Media in Fostering Consumers' Online FOMO and Its Influence on Purchase Behavior," delves into how FOMO affects consumer decision making, particularly in online shopping. FOMO significantly influences consumer decision making, particularly in e-commerce. Wong et al. (2012) highlighted that FOMO can lead to impulsive buying behaviors and influence purchasing choices.

Lin et al. (2016) in their study examine how government decisions, such as blocking access to certain social media platforms, can intensify FOMO among users. It underscores the broader societal implications of FOMO in a digital context.

These selected research studies contribute to our understanding of the impact of FOMO on consumer behavior and decision making within the digital economy. They collectively highlight the psychological, emotional, and behavioral facets of FOMO and its implications for both individuals and businesses operating in the digital realm.

3. RESEARCH METHODOLOGY

The research underscores the relevance and prominence of FOMO in the digital age. This is a critical starting point, as it recognizes FOMO as a pervasive and influential force in the digital economy.

3.1 Methodology and Data Sources:

A descriptive research design is used in this exploratory study to gather primary data utilizing a survey technique and a structured questionnaire as a data collecting and research instrument. For the purpose of gathering data, researchers used the convenience sampling technique (Mathur et al. 2021).

Potential respondents were provided with a digital link to the survey questions formulated utilizing online research instrument (Google Form) and a well prepared sequentially arranged questionnaire, which was posted to social media (LinkedIn and Facebook) and furthermore sent to their email addresses and WhatsApp numbers.

Sample selection: Youth (age group 20 – 50) were taken as the population as they are most active on social media. In total 196 responses were received in the stipulated time out of which only 148 were complete in all aspects. Therefore, the sample size of 148 was used for the study.

Sources of data: Primary data was produced by survey method through a structured questionnaire as the data collection and research tool. Tools used in this study, both the quantitative and qualitative approach were adopted in the study for verification of the theoretical construct discussed.

This robust methodology is well-suited for understanding complex psychological and behavioral phenomena like FOMO (Alt, 2017).

3.2 HYPOTHESIS OF THE STUDY

Based on the current literature on the subject, authors have established the below mentioned hypothesis:

H0: FOMO does not have a significant impact on consumer behavior in the digital economy.

H1: FOMO has a significant impact on consumer behavior in the digital economy.

3.3 DATA ANALYSIS AND INTERPRETATION

Gender of respondents:

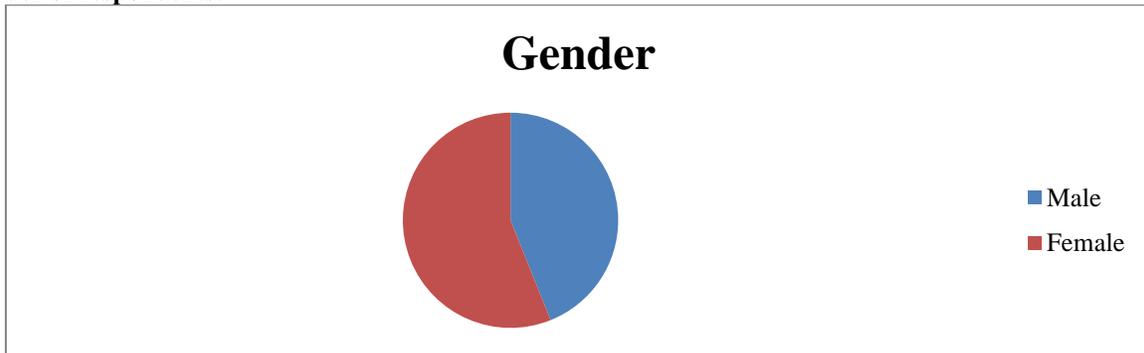


Figure 1: Demographic gender profile of respondents

Sample (n=148) out of which 65 were male and 83 were female. The study of demographics of the respondents indicates that 43.91% respondents were male while 56.08% respondents were female.

Age Range:

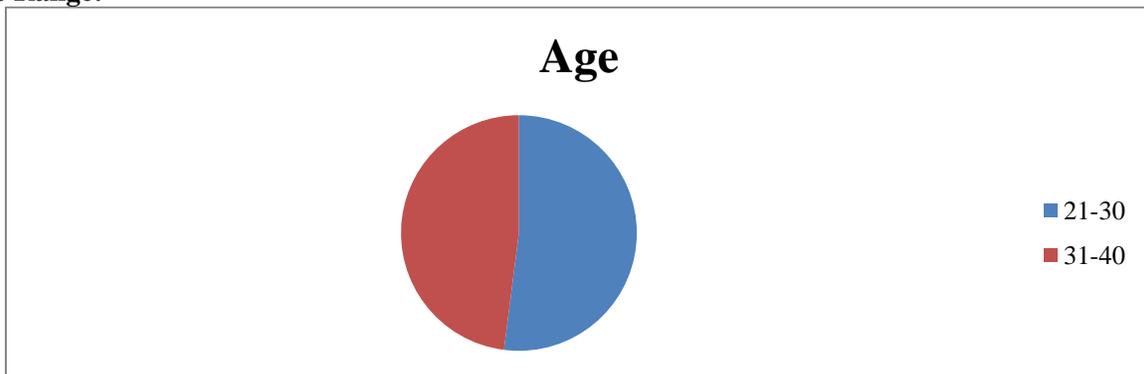


Figure 2: Demographic age profile of respondents

Interpretation:

As per research, the age counted as 77 respondents between age group of 21-30, 71 respondents from 31-40 age group. People that fall between the age of 21-29 are most active on social media. Of the total respondents 52.02% respondents were in the age group of 21-30 whereas 47.97% respondents were in the age group of 31-40 which brings us to conclusion that both the age groups are equally active with the social media.

Q1. Do you have active social media account?

a. Yes-145

b. No- 3

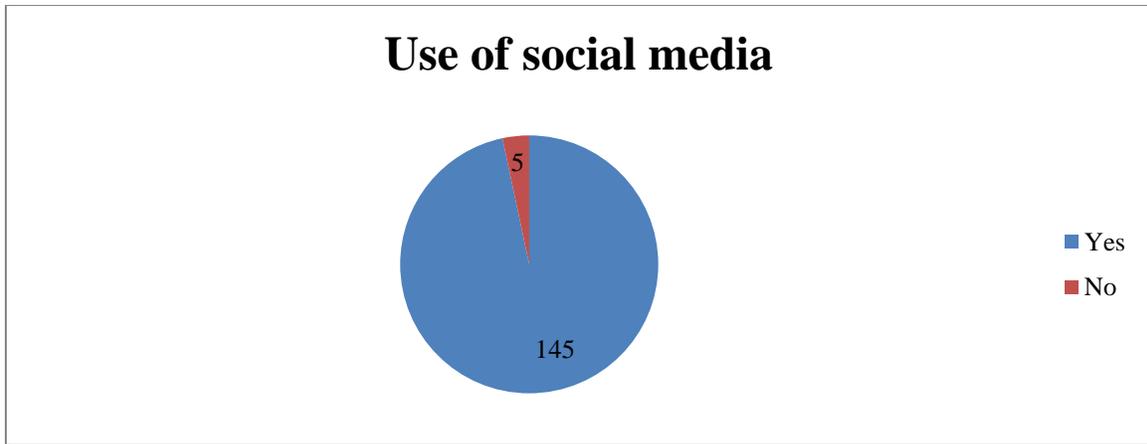


Figure 3: Respondents’ use of social media account

Interpretation

Interesting questions to all the respondents were if they have or were using any social media account and as expected, 97.97% of the respondents responded in affirmative that they have active social media account.

Q2. What is the main purpose of using social media platforms? (You can tick more than one)

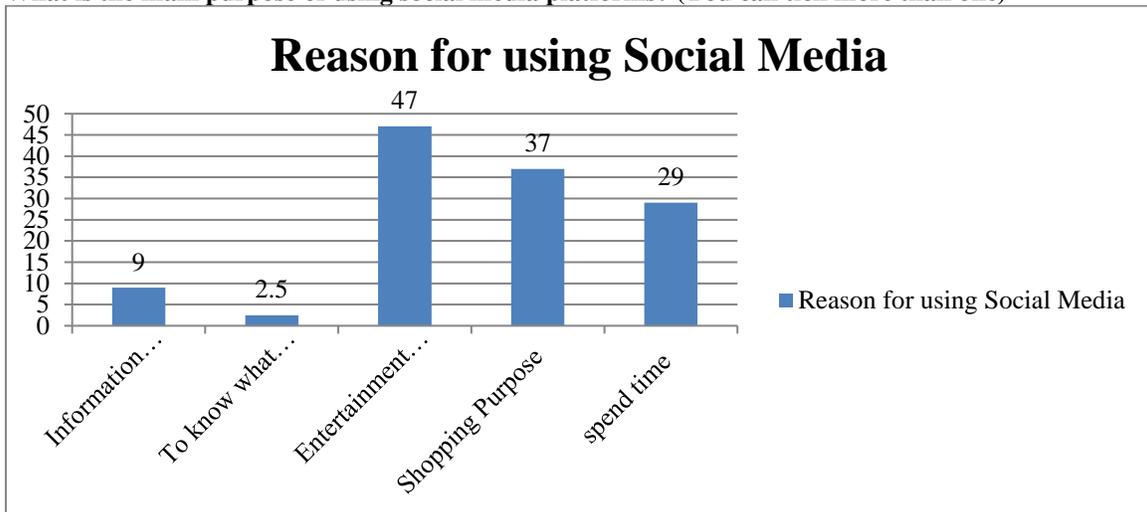


Figure 4: Respondents’ purpose of using social media platforms

Interpretation

On dwelling for the reason for using social media platforms, authors found that:

- 9 respondents use social media for information acquisition.
- 26 respondents use social media to know what others are doing so.
- 47 respondents use social media for entertainment purposes.
- 37 respondents use it for shopping purposes.
- Only 29 respondents use social media in order to spend their time.

Q 3. Do you think that due to the use of social media your shopping has increased?

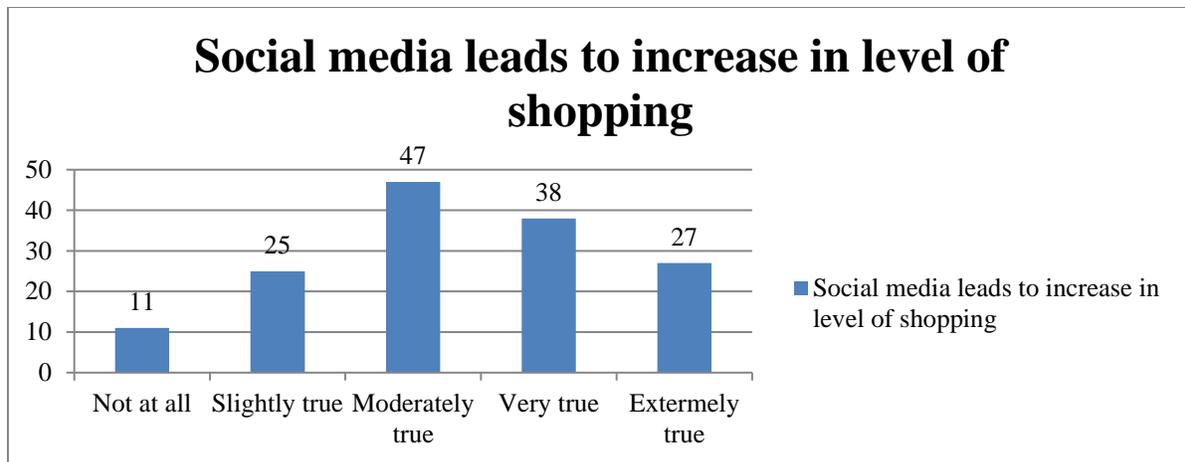


Figure 5: Influence of Social Media on Shopping Behaviour

Interpretation

As per the research, researcher found that level of shopping is not increased in 11 respondents that were not at all affected by social media while purchasing, whereas the level of shopping is moderately increased in 47 respondents.

Q 4. How do you feel if your referred person purchase anything and post it on social media?

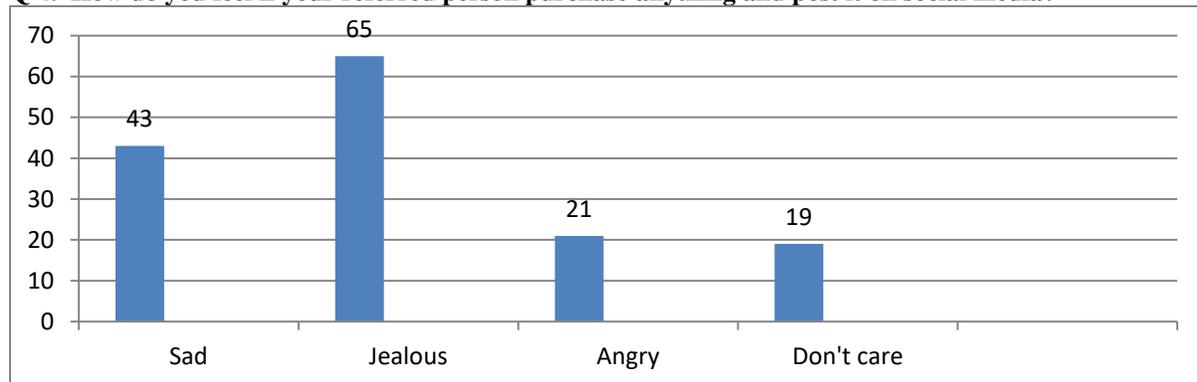


Figure 6: Respondents' attitudes towards referrals on social media

Interpretation

On inquiring from respondents how they felt when they realized that if their referred person purchases anything and post it on social media: 43 respondents feel sad, 65 respondents jealous, whereas 19 respondents don't care and only 21 respondents get angry.

Q 5. Have you ever bought anything due to recommendation of referred person on social media?

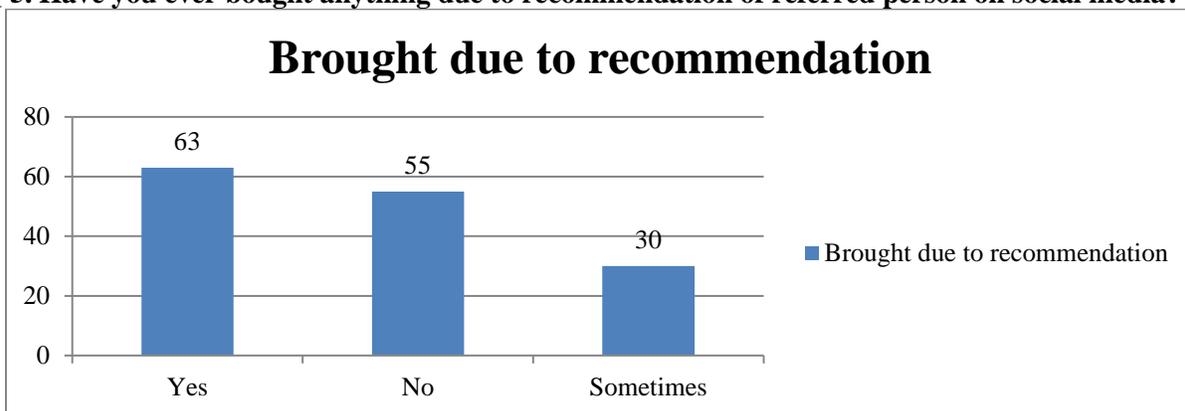


Figure 7: Influence of Social Media Recommendations on Purchasing Decisions

Interpretation

As per the research, researcher found that 63 respondents purchased something as a result of recommendation of referred person on social media post, whereas only 55 respondents have not purchased something due to recommendation of referred person on social media.

Q 6. Have you ever bought anything after seeing a post of your referred person on social media?

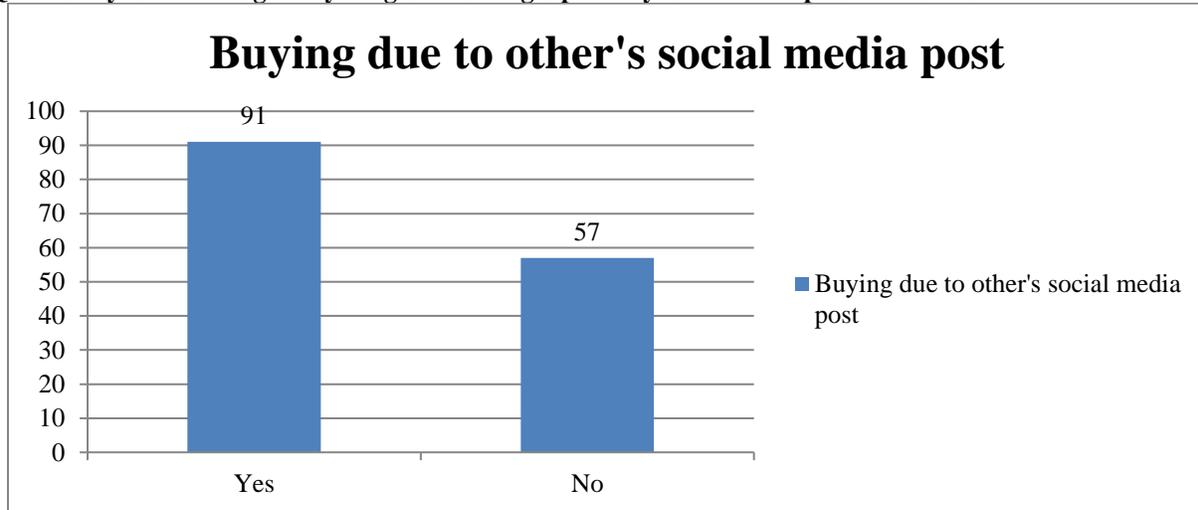


Figure 8: Influence of Social Media Posts from Referrals on Purchasing Behavior

Interpretation

As per the research, researcher found that 91 respondents purchased something as a result of seeing a referred person’s social media post, whereas only 57 respondents have not purchased something as a result of seeing a referred person’s social media post.

Q 7. If referred person on your social media list recommended a product, how probable is it that you'll purchase it?

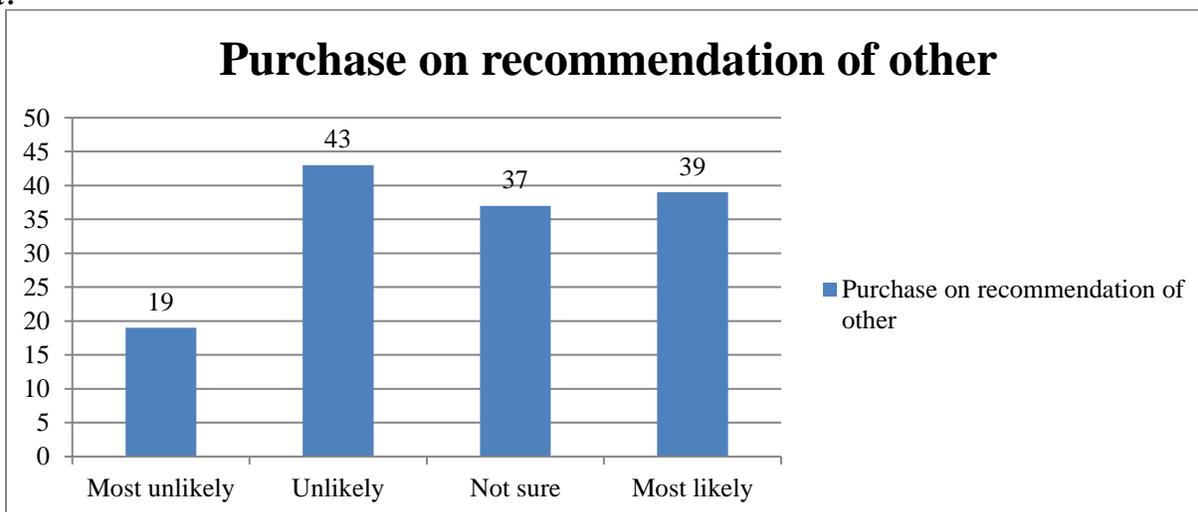
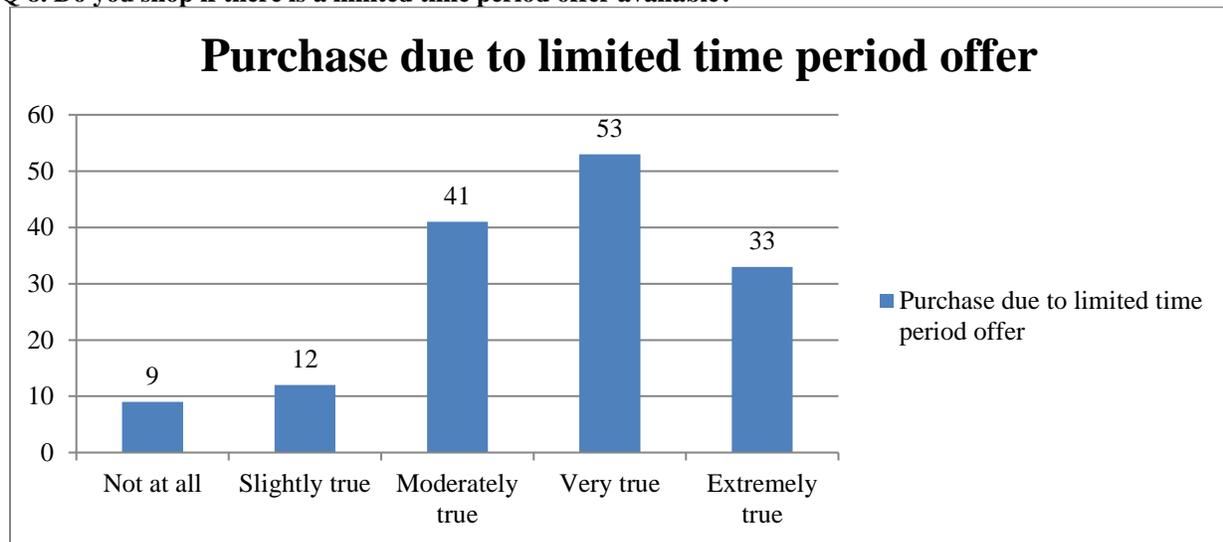


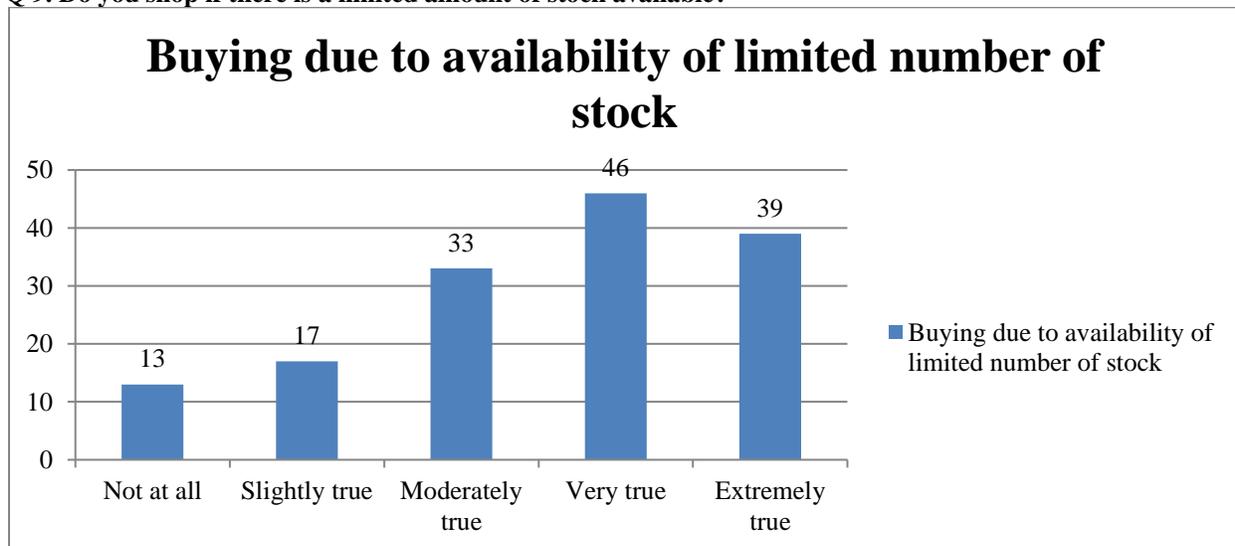
Figure 9: Respondents’ purchase probability based on social media recommendations

Interpretation

When asked whether they will shop if referred person recommend a product on the social media, 43 respondents are unlikely to so. 37 respondents are not sure about so. On the other hand, 39 respondents fall under the most likely category.

Q 8. Do you shop if there is a limited time period offer available?**Figure 10:** Response to Limited Time Offers in Shopping Behavior**Interpretation**

When asked whether you shop if there is limited time period offer is available, the majority of respondents said yes. As per the research 53 respondents said it is very true, 41 respondents it is moderately true, 33 respondents said that it is extremely true, 9 respondents said that it is extremely true that social media plays a role in their daily lives & 9 do not agreed on that that they shop if there is limited time period is available.

Q 9. Do you shop if there is a limited amount of stock available?**Figure 11:** Shopping Behavior in Response to Limited Stock Availability**Interpretation**

On inquiring from respondents whether they shop if there is limited number of stocks is available, authors found that:

- 39 respondents said that it is extremely true that they shop if their limited number of stocks is available.
- 46 respondents said that it is very true that they shop if their limited number of stocks is available.
- 33 respondents said that it is moderately true that they shop if their limited number of stocks is available.
- 17 respondents said that it is slightly true that they shop if their limited number of stocks is available.

- Whereas only 13 respondents said that they will not shop at all even if their limited amount of stock is available.

Q 10. Do you shop for anything just to show your referred person that you own something special that they don't?

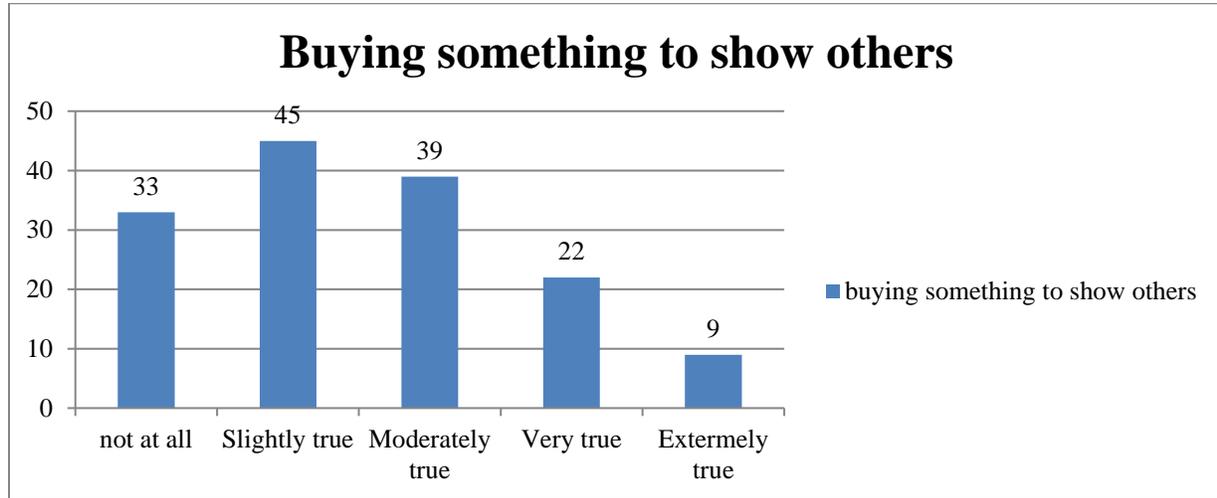


Figure 12: Purchase Behavior Motivated by Social Comparison with Referrals

Interpretation

- On the question of whether they buy things to show,
- 45 respondents slightly considered buying something just to show others.
 - 33 respondents did not at all consider buying something to show others.
 - 39 respondents moderately considered buying something just to show others.

4. KEY FINDINGS

The key findings from the research indicate the far-reaching impact of FOMO in digital economy. It acknowledges that FOMO affects consumers' purchasing decisions. These findings are substantial and align with the research's objectives. These findings provide a glimpse into the depth of FOMO's impact.

The research further finds that FOMO plays significant role in digital channels, including social media, online promotional strategies, and e-commerce platforms, and it has consequences on consumer choices.

We found that FOMO, driven by factors like social comparison, instant gratification, and the need for social validation, plays a pivotal role in prompting impulsive consumer decisions. It is exacerbated by the omnipresence of social media, online advertising, and e-commerce platforms, which constantly expose individuals to opportunities and products, intensifying their FOMO-driven behaviors.

Practical Implications:

The research underscores the practical implications of the findings for businesses and marketers operating in the digital economy. Understanding the mechanisms behind FOMO-driven behavior can help companies tailor their marketing strategies, content creation, and product development to effectively tap into the FOMO psyche. Moreover, the study provides insights into the development of counterstrategies and interventions to mitigate the negative consequences of FOMO, such as overspending and decision regret, in the digital marketplace.

Mitigation of Negative Consequences:

The paper recognizes the importance of developing strategies to mitigate the negative consequences of FOMO, such as overspending and decision regret. This practical approach to addressing potential issues aligns with the research's real-world applicability.

Thus, this paper provides valuable insight on the intricate relationship between FOMO and consumer behavior in the digital economy. The research further offers insights into how businesses and marketers can adapt to the evolving digital landscape, fostering a more informed and conscious digital marketplace.

In summary, the research paper is well-structured and has provided valuable insights into the impact of FOMO on consumer behavior and decision making in the digital economy. It appropriately addresses the importance of FOMO, sets clear research objectives, utilizes a strong methodology, hints at significant findings, and underscores practical implications for businesses and marketers.

5. CONCLUSION

This research sheds light on the intricate relationship between FOMO and consumer behavior in the digital economy. By comprehending the nuances of FOMO and its impact, businesses and marketers can adapt to the evolving consumer landscape, ultimately fostering a more informed and conscious digital marketplace.

In conclusion, the impact of "Fear of Missing Out" (FOMO) on consumer behavior and decision making in the digital economy is a multifaceted and significant phenomenon. Our research has illuminated the profound ways in which FOMO shapes the choices consumers make within the digital realm.

The impact of FOMO on consumer behavior and decision making in the digital economy is a complex and multifaceted phenomenon. It influences various aspects of individuals' lives, from social media use to purchasing decisions, and has implications for marketing strategies and psychological well-being. Further research is needed to explore the evolving dynamics of FOMO in the ever-changing digital landscape.

Moreover, this study has shown that FOMO doesn't merely influence isolated purchase decisions but can have a lasting impact on brand loyalty and consumer-brand relationships. Consumers driven by FOMO may exhibit erratic buying patterns and may later regret their choices, impacting long-term trust and loyalty.

For businesses and marketers, this research underscores the importance of understanding and harnessing the power of FOMO in crafting effective digital marketing strategies. Tailoring content and product offerings to tap into FOMO-induced emotions can be a potent tool for engaging and retaining consumers. Additionally, recognizing the risks associated with FOMO-driven behavior, such as overspending, allows for the development of strategies to mitigate these negative consequences and promote responsible consumer choices.

Ultimately, the insights derived from this research offer a roadmap for adapting to the ever-evolving digital consumer landscape. By comprehending FOMO's intricate dynamics, businesses can create a more conscious and informed digital marketplace, one that balances the excitement of new opportunities with responsible consumer decision-making. This understanding is crucial in ensuring the digital economy remains a place of genuine value creation and satisfaction for consumers.

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