

How the Effects of FOMO Influences Canadian Consumers

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Abstract

This research report looks at the psychological phenomenon of the fear of missing out (also known as FOMO) and how it is effectively used by businesses to influence consumer purchasing decisions. Focusing on Canadian consumers, this study investigates whether these marketing strategies are becoming less effective over time, particularly when faced with changing consumer behaviour trends and economic conditions. Through a systematic literature review backed by statistical data and secondary sources, this report analyses both physical and digital implementations of FOMO tactics, ranging from limited-time retail offers to predatory monetization models in video games. It also considers the ethical concerns of related strategies like artificial scarcity and anticipates how advancing technologies like neuromarketing and AI may shape future FOMO-based marketing. While consumer awareness and frugal spending habits appear to be on the rise, the findings suggest that FOMO tactics remain effective, so long as they adapt to shifting consumer behaviour. In the end, this report concludes that Canadian consumers are not necessarily becoming less responsive to FOMO-inducing strategies overall; instead, the success of these tactics depends on how effectively they keep up with the rapidly changing consumer trends.

Introduction

The fear of missing out, also known as “FOMO,” is a psychological phenomenon where someone becomes anxious over the idea of being left out of an experience or opportunity. Businesses take advantage of this response to manipulate their customers into making purchases that they otherwise would not have, leading to an increase in repeat purchases and customer retention. Companies will use FOMO to sell both digital and physical products and services, primarily through the use of limited-time offers. Common examples of this are sales/discounts at a retail store, bringing back a limited-time menu item at a restaurant, or having a digital store where items

rotate daily in a video game. From personal experience, it feels as though this practice has become more and more common, and due to over exposure, I have become less susceptible to the influence of FOMO. Even though I feel less of a response to it, it seems like it is only becoming a more popular tactic among businesses. This research report aims to analyse current consumer trends to see if FOMO tactics are in fact becoming less effective on Canadian consumers, and if so, by how much.

Methodology

The Systematic Literature Review Process

The literature review process is used as the primary part of the methodology, as it is effective at gathering information pertaining to this topic. On top of that, it will be used to ensure that research is structured, documented, and evidence based. Initial research into consumer behaviour and “FOMO” will come from online databases, most notably Business Source Ultimate and Google Scholar. This initial research will be backed up by statistics gathered from reputable websites such as Statista and will be supported from insights provided by relevant books and news articles.

Procedure

The strategies used to search for this research report include keyword searching, citation chaining, and concept chaining. Keyword searching is the act of searching databases using specific words and phrases that are relevant to the research topic in order to find high-quality articles and sources. For this report, Business Source Ultimate was the database where keyword searching was most heavily used, and to a lesser extent Google Scholar. Citation chaining is the act of using works

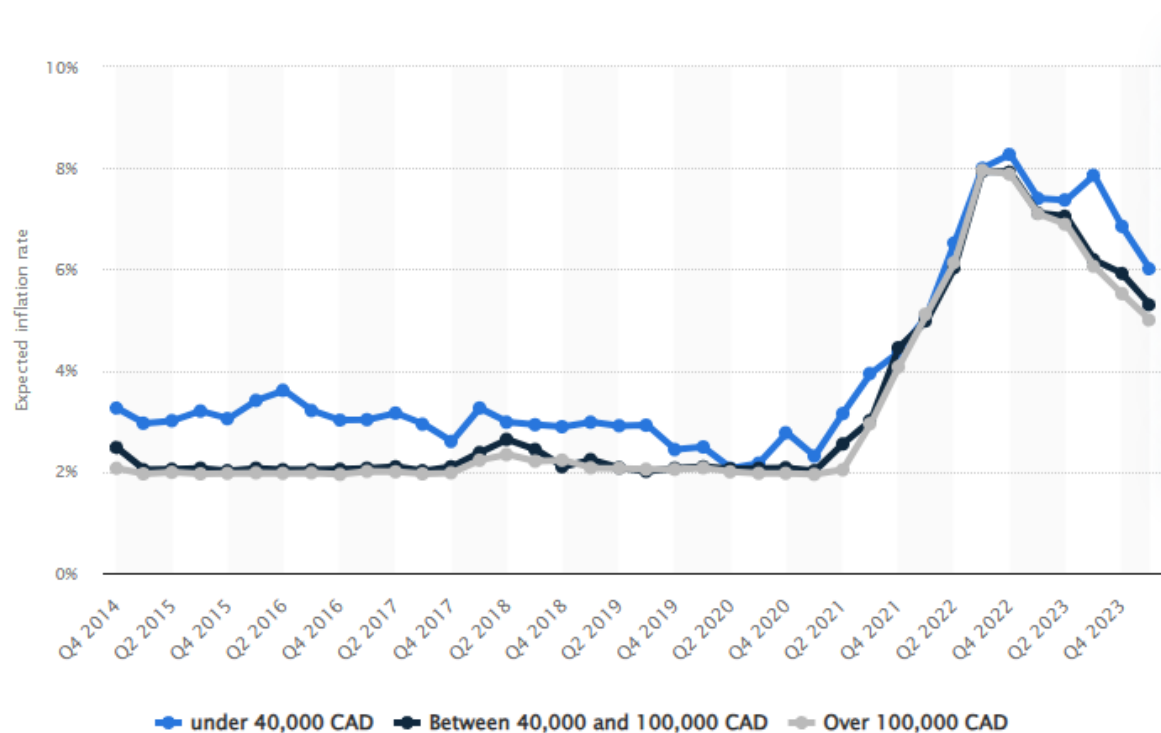
referred to in relevant articles in order to find even more of them. This also works in the reverse scenario, where someone looks to find other articles that used the initial one as a source of information. Concept building, similar to keyword searching, is used to search databases, but it instead uses key concepts of the research question to find relevant terms and synonyms.

Findings

Research on consumer behaviour is ever changing. The trends have been rapidly evolving, especially in the digital space (Alexandru and Andrei-Dorian, 2024), which has made it difficult for researchers to make concrete statements about how consumer behaviour has evolved and how it will continue to be shaped. In fact, some researchers say that studies and tests have not adequately tested how common FOMO tactics affect consumers (Good and Hyman, 2020). Even if not enough studies have been conducted on FOMO with a consumer behaviour perspective, there are still plenty of bits of information that can be tied together to paint an outline of current trends. Starting off, looking at related graphs from Statista is able to give insights into what Canadian consumers are doing with their money.

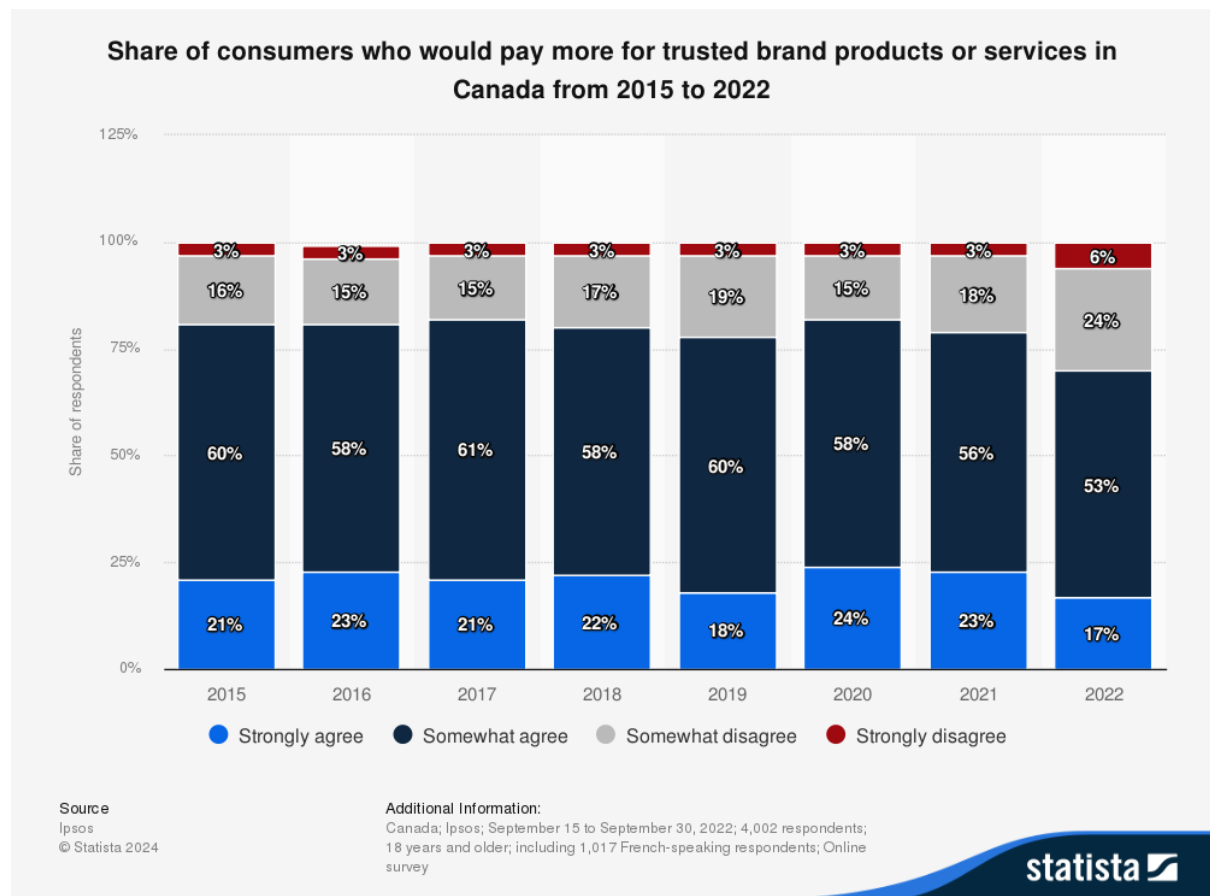
Monetary Statistics

Figure 1



This graph from Statista demonstrates the perceived inflation rate of Canadians based on their yearly income. It would appear that historically, those with a lower source of income believed that inflation is higher than those with higher wages. The main anomaly shown ranges from Q2 2021 to Q4 2022, where perceived inflation was nearly equal for all income brackets shown. In reality, this period of time did experience high inflation rates, which is likely the cause of this. Looking at it in the more recent quarters, people with lower incomes have again begun to perceive inflation as being higher than those that are wealthier. This means that based on their yearly income and their idea of the value of money, one may assume that they are less likely to fall victim to FOMO tactics, as on paper they are less likely to spend unnecessarily. However, 75% of people aged 18-30 are more likely to impulsively buy a product if they receive a discount on it; and people with lower incomes tend to be younger in age, which means that people with less income are, in some cases, more susceptible to FOMO strategies (Alexandru and Andrei-Dorian, 2024).

Figure 2



The above graph, also created by Statista, highlights the percentage of Canadians who are willing to spend more on brands that they know and love. Since 2020, that number has been on the decline, dropping by 9% in 2 years. This may highlight a trend where consumers are spending more frugally than in years past. This makes FOMO incentives that have to do with price reductions, buy one get one free deals, or similar more enticing to Canadians (Fucia and Serban, 2024). Even though Canadians are becoming more and more unwilling to spend more on their preferred brands, brand loyalty and repeat purchases drive a massive amount of revenue for businesses (Chauhan, 2023).

Effects of FOMO on In-Person Experiences

Table A

Scale	Item	Factor Loading	t-value
Fear of Missing Out (FOMO) ($\alpha = .944$)	If I do not go to this concert...		
	I'm afraid later I will feel sorry I did not go with my friends	0.772	16.987
	I will worry about what I'm missing	0.803	18.510
	I will worry my friends are doing more rewarding things than me	0.891	22.460
	I will feel concerned my friends are having more fun without me	0.889	—a
	I will feel left out	0.814	18.806
	I will feel sorry I did not experience an event with friends	0.805	18.206
	I will feel anxious about not being with my friends	0.820	19.074
	I will feel bothered that I missed an opportunity to be with friends	0.802	18.183
	On a scale of 0–10, what is the chance you would buy the ticket and go to the concert?	N/A	N/A
Anticipated Elation (AE) ($\alpha = .911$)	When considering this experience...		
	I expect I would feel elated	0.855	19.984

	I anticipate I would feel excited	0.903	23.081
	I would feel exhilarated	0.890	— ^a
	I expect I would feel happy about going	0.771	16.452
Self-enhancement (SE) ($\alpha = .918$)	I think that others would like me if I go	0.822	20.372
	I think that going would create a good impression of me	0.941	— ^a
	My going would result in others' positive attitudes toward me	0.902	24.887
Anticipated Expense Regret (AER) ($\alpha = .942$)			
	I would be sorry I spent the money	0.860	14.997
	I would be sorry because I should save money	0.915	16.222
	I would be sorry I did not spend the money on necessities	—	—

The above table is made from data that was gathered by Good and Hyman, 2024. It is gathered from a survey where participants, on a scale of 1-7, said how strongly they agree/disagree with each statement in the middle column. The questions have to do with FOMO surrounding a concert experience. The closer the factor loading is to 1, the more likely that statement is to be true, with the t-value supporting the validity of each claim. The higher the t-value is, the more likely the factor loading number is to be true. The sample consisted of 295 Americans. Looking at the chart, it would seem as though FOMO tactics are very effective at making people feel a plethora of emotions, both positive and negative. However, it would seem as though the information gathered here both supports and contradicts previous research (Good and Hyman, 2024). This contradictory nature

found throughout consumer behaviour research on FOMO's influence on consumers has led there to be some dissent about whether or not previous research has properly tested customer feedback to FOMO marketing strategies (Good and Hyman, 2024).

The Digital Space

Pivoting into the digital space, manipulative consumer behaviour tactics become much more prominent, with some businesses relying on overtly predatory revenue models. One of the most lucrative of these is the gacha system. Originally, a gacha is a version of a vending machine that is often filled with small toys or collectibles of some kind. But instead of having the customer pick out what they want, they were given a random item out of a small selection. Move that concept into the gaming realm, and now companies offer their game for free, but will charge their customers for a small chance of getting an item or character that they want (Jianqing and Singh, 2023). The top games in this industry are making upwards of \$200 million USD quarterly each. This amount of revenue outpaces most traditional freemium modelled games and paid games (Jianqing and Singh, 2023). Because of the random nature of getting the in-game items and due to the fact that many are limited-time offers, players will often go to various websites, forums, and social media platforms to boast and show off the new item they got. The community engagement and encouragement on these platforms helps to further drive the fuel for the revenue system, but it is hard to judge to what extent (Jiangqing and Singh, 2023).

When looking at the larger picture, it would appear that Combining a gambling-like profit model with FOMO-driven offers creates one of the most efficient monetization systems for video games (Jiangqing and Singh, 2023). Companies that use gacha mechanics in their games are able to get past many gambling laws due to the fact that the customer is technically paying for an item, just likely not the one they actually want. Though this raises the question: do customers view different

revenue models as more ethical than others? When looking at the general online space, customers perceive companies that place advertisements on their platform as less ethical than those that charge a fee (Su and Jin, 2022). Research also points to having the option to skip an ad did little to change the opinion of users, with them still seeing paid services in a more positive light (Su and Jin, 2022). In the iOS App Store, paid apps are viewed as the most legitimate, with users having few concerns over privacy. Freemium apps are viewed with more scepticism than paid apps, but they are still seen more positively than free apps (van Angeren et al., 2022). This raises more questions: how are FOMO-inducing strategies viewed by the public? What are other strategies related to FOMO that may be viewed as unethical?

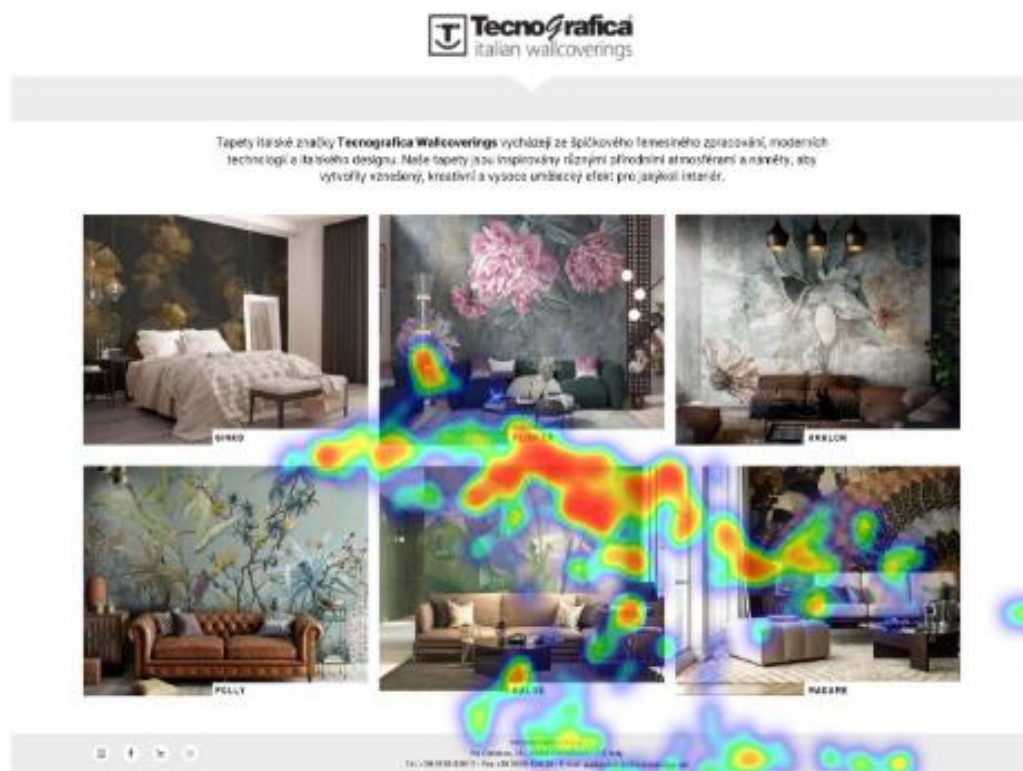
Artificial Scarcity

One tactic that is related to FOMO strategies is artificial scarcity. The classic way this is done is to introduce a slow feed of a product/service in order to make its perceived value go up (Bradley, 2023). Like FOMO-creating tactics, especially in the digital realm, artificial scarcity uses societal influence and an otherwise unnecessary “buy now!” pressure to keep a company/industry’s supply and demand at the most profitable level, even if the product or service is not actually that rare. (Bradley, 2023). There has been much ethical concern about the implementation of artificial scarcity in various industries (Bradley, 2023), and it would not be surprising if this awareness permeates throughout more manipulative consumer behaviour tactics, such as FOMO.

Where FOMO May be Used in the Future

As technology becomes more advanced, there will be new ways to sell to consumers. One proposed way is neuromarketing (Patik, 2024). By using an eye-tracking tool, one study was able to show where and how long participants looked at specific points on a screen.

Figure 3



(Patik, 2024)

The website with the heatmap on it (above) highlights the fact that on this image, the focus points for most participants is in the centre, with the lower right quadrant having the rest of the attention. Marketers may be able to use eye-tracking technology through the use of one's smartphone camera, which they can then have personalised deals based on which products the consumer is subconsciously paying the most attention to (Patik, 2024). The increase in prominence of AI in people's day-to-day lives will lead to more curated and personalized advertisements as well, meaning that companies will be able to better target their potential consumers with messaging and branding that they want to experience.

Currently, there is a threat of a significant economic downturn due to looming tariff threats, and when there is an economic crisis/recession, consumer behaviour begins to change (Fuciu and Serban, 2024). People start to spend less and save more, meaning that FOMO-inducing advertisements and promotions that focus on price reductions become more effective (Alexandru and Andrei-Dorian, 2024).

Limitations

This research report comes with some limitations. For starters, it relies on secondary data to draw conclusions. On top of that, the focus of this report is on Canadian consumers, but much of the data used comes from the studies that took place within the U.S. or overseas. Research into FOMO from a marketing perspective is still an ongoing project, so many studies on similar topics may come to conflicting conclusions (Good and Hyman, 2024).

Conclusion

In conclusion, FOMO-inducing marketing strategies are likely to actually become more prevalent, at least in the short term. While studies are mixed on their findings, many have shown that this form of consumer behaviour strategy is, in fact, still successful. While the exact shape FOMO tactics take on do shift as consumers change, some form of it is likely to always be present. In this research report, various studies that were conducted over the last few years were analyzed in order to come to a result on the state of FOMO in advertisements. This report looked at both physical and digital examples of this phenomenon, the ethics surrounding it, similar strategies, and the potential future implementations. The result was then pitted against the question of “Are Canadian consumers becoming less responsive to common FOMO tactics? If so, by how much?” It would seem as though Canadian consumers are not becoming less responsive to FOMO tactics as a whole, at least if the strategies continue to adapt to the changing trends.

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