

Do smart consumers recognise a good deal when they see one? IQ and sensitivity to price promotions in the online horse betting market

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Abstract

This paper demonstrates that the individual's cognitive ability, as measured by IQ, predicts the consumer's responses to price promotions in the market for horse betting products. We use a large-scale data set from Finland, which amalgamates all horse wagering product purchases made in a monopolistic market over a one-year period, IQ test scores from the Finnish Defence Forces, and administrative registry data on the socioeconomic characteristics (e.g. personal income) of those consumers. Our results indicate that high-IQ individuals increase their consumption of horse betting products whose price has fallen. This result holds regardless of the consumer's socioeconomic background.

Subject Areas: *Cognition; Consumer Behavior; Entertainment Marketing; Promotion*