

Emotional Reference Point Formation

Decision-makers code outcomes as gains or losses relative to a reference point. While the existing research shows that the reference point is a function of past prices, little research has examined situational factors that influences reference point formation. This study uses eye-tracking to show that incidental emotions impact reference point formation by influencing how much attention decision-makers allocate to various past prices (i.e., past highs vs. lows, or temporally distant vs. recent prices).