

Weather matters when buying a home or car: study

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Jorge Silva-Risso, an associate professor of marketing

(Phys.org) -- Weather conditions can play a big role when consumers are planning to purchase a car or a home.

That's the message from a paper published this month and co-authored by Jorge Silva-Risso, an associate professor of marketing at the University of California, Riverside's School of Business Administration.

Among the authors' findings, which control for seasonality:

- A 20 degree increase in temperature equaled an 8.5 percent increase in convertibles sold.
- In the two to three weeks following a snow storm of about 10

inches, the percentage of four-wheel-drive vehicles sold increased 6 percent.

- A 20-degree increase in temperature leads to a 2.1 percent reduction of black vehicles sold. And moving from overcast to clear weather reduces the sale of black vehicles by 5.6 percent.
- A swimming pool can increase the value of a home by \$1,600 if it's sold in the summer instead of the winter.

“People often talk about impulse buying,” Silva-Risso said. “Our research shows it is real. Our research also shows that under certain conditions consumers would do best to avoid that impulse.”

Silva-Risso, who has been at UC Riverside since 2003, previously worked at J.D. Power and Associates and has done contract work for General Motors, Chrysler, Ford, Honda, Toyota and BMW.

He co-authored the paper with Meghan R. Busse, an associate professor at Northwestern University, Devin G. Pope, an associate professor at the University of Chicago, and Jaren C. Pope, an assistant professor at Brigham Young University.

The paper, called “Projection Bias in the Car and Housing Markets,” is part of a working paper series published by the National Bureau of Economic Research.

Projection bias refers to the tendency to overpredict the degree to which future tastes will resemble current tastes. For example, the popular adage “never shop on an empty stomach” is a caution against projection bias: consumers are likely to overpredict the degree their future selves will appreciate the purchases that their current selves crave.

For this paper the authors used data from more than 40 million new and used vehicle transactions. That represented a sample of about 20 percent

of all new car dealerships in the United States from Jan. 1, 2001 to Dec. 31, 2008. The housing dataset included more than 4 million single-family residential properties that sold in the United States between 1998 and 2008.

From a policy perspective, the results of the paper suggest that consumers would benefit from laws designed to help them better evaluate their decisions. For example, laws that allow consumers a “cooling-off period” for durable goods or goods for which [consumers](#) sign extended contracts may provide significant benefits.

The Federal Trade Commission has a “cooling-off rule” to deal with high pressure sale situations such as door-to-door sales. However, the rule does not apply to real estate and automobile sales even though there clearly can be high-pressure sale situations for costly items.

The authors’ findings also suggest that projection bias may be prevalent in other important decisions – such as whether to get married, take a job or have a baby – that are similarly distinguished by having large stakes, state-dependent utility, and low-frequency decision-making.

More information: Paper: www.nber.org/papers/w18212

Provided by University of California - Riverside

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