

**Ph.D. Seminar in Consumer Behavior (I)
Judgment and Decision Making**

Fall 2012

Course ID: 02814910

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Meeting time: TBA

Course Objectives and Course Conduct

This course is an introduction to the major theoretical approaches and ongoing debates within behavioral decision theory, with particular consideration given to the implication of these debates for marketing managers and other managers. Behavioral decision theory draws on disciplinary roots in economics and psychology to provide a behavioral (i.e., descriptive) theory about how people make decisions, thus it is often concerned with how such decision behavior deviates from classic normative models derived from economic theory. We will read materials from both the "basic disciplines" as well as classics specific to the field of marketing. Major topics will include: an overview of behavioral decision theory; "biases" in judgment and choice; context effects including their interactions with motivation, culture, and affect; reason-based decision making, and intertemporal choice.

A secondary objective of this seminar is to enhance your ability to develop new and interesting (and publishable) research ideas, and to communicate, orally and in writing, what is valuable about them. There is nothing especially mysterious about coming up with a good dissertation topic; in the course of a successful research career you will have to come up with many such ideas, so we will "get good" at idea generation by spending part of each class brainstorming researchable topics on the basis of the hot issues from that week's readings. We will concentrate on how to state our ideas in a clear and compelling form. You should leave this class with a solid background in decision research; a good taste in the literature and a refined problem sense (what's worth studying).

You are expected to read all the assigned papers and evaluate them critically. Your evaluation of a research paper could cover the following areas: the objective of the research, theoretical foundation and hypotheses, method, key results and their implications, limitations and contributions to the literature. In addition, we will discuss how we can extend the knowledge in a particular area. I expect you to come up with one insight or one question for each assigned paper. You are expected to email me the reaction paper for each assigned article 24 hours before class. If the class size is bigger than 8 students, you will do it on a group basis. We will share our insights and try to answer the questions. There is also a list of highly recommended readings. We will not discuss these papers in our meeting but I included them in the syllabus because I think they are very important papers in the areas that we will cover.

You or as a group are expected to develop a research idea through the early weeks of this seminar. Please check with me before you decide on a topic or a paper. During week 6, we are going to talk about your interests and you will prepare to give a 5 minute version presentation on your idea. By week 10 and 11, you need to present your research proposal orally and turn in a written research proposal in the subsequent week.

Your grade for this seminar will be based on your class participation (30%), your reaction paper (20%) and your research paper (50%; max 15 pages). You are expected to come up with your own ideas for potential research projects. This can be done by focusing on a set of papers published recently in the *JCR*, *JMR* or *JPSP*, etc. I would like you to discuss specific hypotheses and contributions of the proposed project. The paper should start out by explaining why this issue is important (both theoretically and substantially) and critically review previous literature. Finally, you should come up with specific hypotheses to be tested.

Week 1: Experimental Design and Analysis

Kardes, Frank R. (2002), "Chapter 1: The Scientific Study of Consumer Behavior," in *Consumer Behavior and Managerial Decision Making*, 2nd edition, Addison-Wesley Publishers.

Sternthal, Brian, Alice M. Tybout, Bobby J. Calder (1996), "Experimental Design: Generalization and Theoretical Explanation," in *Principles of Marketing Research*, Richard P. Bagozzi (ed.), 195-223.

Perdue, Barbara C. and John O. Summers (1986), "Checking the Success of Manipulations in Marketing Experiments," *Journal of Marketing Research*, 23 (November), 317-326.

Baron, Ruben M. and D. A. Kenny (1986), "The Moderator-Mediator Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations," *Journal of Personality and Social Psychology*, 51, 1173-1182

Highly recommended readings:

Orne, Martin T. (1962). On The Social Psychology of The Psychological Experiment: with Particular Reference to Demand Characteristics and their Implications. *American Psychologist*, 17 (11), 776-83.

Berkowitz, Leonard and Edward Donnerstein (1982), External Validity Is More Than Skin Deep: Some Answers To Criticism of Laboratory Experiments, *American Psychologist*, 37(March), 245-57.

Muller, D., Judd C. M., and V. Y. Yzerbyt (2005), "When Moderation is Mediated and Mediation is Moderated." *Journal of Personality and Social Psychology*, 89, 852-863.

Week 2: Behavior and Decision Making Literature: Overview

Tversky, Amos, and Daniel Kahneman (1974), "Judgment Under Uncertainty: Heuristics and Biases," *Science*, 1985 (September), 1124-1131.

Weber, E., & Johnson, E. (2009). Mindful judgment and decision making. *Annual Review of Psychology*, 60, 53-85.

Bettman, James R., Mary Frances Luce, and John W. Payne (1998), "Constructive Consumer Choice Processes," *Journal of Consumer Research*, 25 (3 December), 187-217.

Highly recommended readings:

March, James G. (1978), "Bounded Rationality, Ambiguity, and the Engineering of Choice," *The Bell Journal of Economics*, 9 (Autumn), 587-608.

Gilovich, Thomas, Robert Vallone, and Amos Tversky (1985), "The Hot Hand in Basketball: On the Misperception of Random Sequences," *Cognitive Psychology*, 17 (3 July), 295-314.

Week 3: Biases in Judgment and Choice

Kahneman, Daniel and Amos Tversky (1979), "Prospect Theory: An Analysis of Decision Making Under Risk," *Econometrica*, 47 (March), 263-291.

Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler (1991), "The Endowment Effect, Loss Aversion, and Status Quo Bias," *Journal of Economic Perspectives*, 5 (Winter), 193-206.

Thaler, Richard (1999), "Mental Accounting Matters," *Journal of Behavioral Decision Making*, 12 (3 September), 183-206.

Brenner, L., Rottenstreich, Y., & Sood, S. (1999). Comparison, grouping, and preference. *Psychological Science*, 10, 225-229.

Highly recommended readings:

Langer, Ellen J. (1975), "The Illusion of Control," *Journal of Personality and Social Psychology*, 32 (3), 311-328.

Loewenstein, George and Drazen Prelec (1998), "The Red and the Black: Mental Accounting of Savings and Debt," *Marketing Science*, 17 (1), 4-28.

Carmon, Ziv and Dan Ariely (2000), "Focusing on the Forgone: How Value Can Appear So Different to Buyers and Sellers," *Journal of Consumer Research*, 27 (3 December), 360-370.

Week 4: Context Effects

Tversky, Amos and Itamar Simonson (1993), "Context-Dependent Preferences," *Management Science*, 39 (October), 1179-1189.

Prelec, Drazen, B. Wernerfelt, and Florian Zettelmeyer (1997), "The Role of Inference in Context Effects: Inferring What You Want from What is Available." *Journal of Consumer Research*, 24, 1, 118-125.

Hsee, Christopher, George F. Loewenstein, Sally Blount, and Max H. Bazerman (1999), "Preference Reversals Between Joint and Separate Evaluations of Options: A Review and Theoretical Analysis," *Psychological Bulletin*, 125(5), 576-589.

Amir, On and Jonathan Levav (2008), "Choice Construction versus Preference Construction: The Instability of Preferences Learned in Context," *Journal of Marketing Research*, 45 (2), 145-58.

Highly recommended readings:

Joel Huber, John W. Payne, Christopher Puto, "Adding Asymmetrically Dominated Alternatives: Violations of Regularity and the Similarity Hypothesis," *Journal of Consumer Research* 9 (1 June), 90-98.

Hsee, Christopher and France LeClerc (1998), "Will Products Look More Attractive When Presented Separately or Together," *Journal of Consumer Research*, 25(2 September), 175-186.

Mandel, Naomi and Eric J. Johnson (2002), "When Web Pages Influence Choice: Effects of Visual Primes on Experts and Novices," *Journal of Consumer Research*, 29 (2 September), 235-245.

Payne, John W., James R. Bettman, and Eric J. Johnson (1988), "The Adaptive Decision Maker: Effort and Accuracy in Choice," *JEXP: Learning, Memory, and Cognition*, 14, 534-553.

Week 5: Encoding/Accessibility

Bargh, J. A., & Chartrand, T. L. (1999). The mind in the middle: A practical guide to priming and automaticity research. In H. T. Reis and C. M. Judd (Eds.) *Handbook of Research Methods in Social and Personality Psychology*, pp. 253-285. New York: Cambridge University Press.

Forster, J., & Liberman, N. (2007). Knowledge activation. In A. W. Kruglanski & E. T. Higgins (Eds.) *Social Psychology: Handbook of Basic Principles*, pp. 201-231. New York: Guilford Press.

Schwarz, N., Bless, H., Wanke, M. & Winkielman, P. (2003). Accessibility revisited. In G. V. Bodenhausen & A. J. Lambert (Eds.), *Foundations of Social Cognition: A Festschrift in Honor of Robert S. Wyer, Jr.* Mahwah, NJ: Erlbaum.

Week 6: Metacognition

Nisbett, R.E. & Wilson, T.D. (1977). Telling more than we know: Verbal reports on mental processes. *Psychological Review*, 84, 231-259.

Lee, L., Frederick, S., & Ariely, D. (2006). Try it, you'll like it: The influence of expectation, consumption, and revelation on preferences for beer. *Psychological Science*, *17*, 1054-1058.

Wilson, T. D., Lisle, D. J., Schooler, J. W., Hodges, S. D., Klaaren K. J., and Lafleur, S. J. (1993). Introspecting about Reasons can Reduce Post-choice satisfaction. *Personality and Social Psychology Bulletin*, *19* (3), 331-339.

Nelson, Leaf, and Tom Meyvis (2008) "Interrupted Consumption: Disrupting Adaptation to Hedonic Experiences", *Journal of Marketing Research*.

Xu, Jing and Norbert Schwarz (2009), "Do We Need a Reason to Indulge?" *Journal of Marketing Research*.

Week 7: Affect and Judgment

Schwarz, N. (2002). Feelings as information: Moods influence judgments and processing strategies. T. Gilovich, D. Griffin, D. Kahneman, eds. *Heuristics and Biases: The Psychology of Intuitive Judgment*. Cambridge University Press, New York, 534 –548.

Loewenstein, G.F., Weber, E.U., Hsee, C.K., & Welch, N. (2001). Risks as feelings. *Psychological Bulletin*, *127*, 267-286.

Lerner, J. S., Small, D. A., & Loewenstein, G. (2004). Heart Strings and Purse Strings: Carryover effects of emotions on economic decisions. *Psychological Science*, *15*, 337-341.

Litt, A., Khan, U, & Shiv, B. ((2010). Lusting while loathing: parallel counterdriving of wanting and liking. *Psychological Science* DOI 10.1177/0956797609355633

Highly recommended readings:

Lerner, J.S. & Keltner, D. (2001). Fear, anger, and risk. *Journal of Personality and Social Psychology*, *81*, 146-159.

Shiv, B., Loewenstein, G., Bechara, A., Damasion, H., & Damasio, A.R. (2005). Investment behavior and the negative side of emotion. *Psychological Science*, *16*, 435-439.

Week 8: Two Systems of Reasoning

Kahneman, D. (2003). A perspective on judgment and choice. *American Psychologist*, *58*, 697-720.

Sloman, S. A. (2002). Two systems of reasoning. T. Gilovich, D. Griffin, D. Kahneman, eds. *Heuristics and Biases: The Psychology of Intuitive Judgment*. Cambridge University Press, New York, 379–397.

Dijksterhuis, A. (2004). Think different: The merits of unconscious thought in preference

development and decision making. *Journal of Personality and Social Psychology*, 87, 586-598.

Mishra, Himuanshu., Arul Mishra, and Dhananjay Nayakankuppam (2007), "Seeing Through the Heart's Eye: The Interference of System 1 in System 2," *Marketing Science*, 26 (5), 666-78.

Shiv, B., & Fedorikhin, A. (1999), "Heart and mind in conflict: The interplay of affect and cognition in consumer decision making," *Journal of Consumer Research*, 26(3), 278-92.

Week 9: Embodied Cognition

Meier, B. P., & Robinson, M. D. (2004). Why the sunny side is up: Associations between affect and vertical position. *Psychological Science*, 15, 243-247.

Williams, L. E & John Bargh (2008). Experiencing physical warmth promotes interpersonal warmth. *Science*, 322, 606-07.

Williams, L. E & John Bargh (2008). Keeping one's distance: The influence of spatial distance cues on affect and evaluation. *Psychological Science*, 19 (3), 302-08.

Zhong, C.-B., & Liljenquist, K. (2006). Washing away your sins: Threatened morality and physical cleansing. *Science*, 313, 1451-1452.

Week 10 & 11: Research Presentations