

## **MKTG 950: Consumer Judgment and Decision Making (PhD Seminar)**

**Deborah Small - Fall 2015**

**Instructor:** Deborah Small   deborahs@wharton.upenn.edu

**Schedule:** Fridays 9-11:45am (JMHH 741; Marketing conference room)

**Course website:** Canvas

### **Course Overview:**

The main objective of this 7-week course is to provide an introductory yet in depth discussion of judgment and decision making topics in consumer research. The weekly readings are intended to provide PhD level coverage of classic and current research related to consumer decision processes.

In addition to content, the other main objective is to increase your ability to think through and assess the research process. That is, my goal is to improve your ability to critically think about research and be able to generate ideas before translating them into testable hypotheses (and eventually to a publishable paper). This will be done in the context of the seminar topics, but we will also discuss some general aspects of the research process.

For each topic we cover, articles have been chosen (although this list might be revised), and we will discuss those in detail. Our goals with these readings will be to gain exposure to the latest ideas in consumer judgment and decision research, to determine the main ideas and research questions driving current work in each topic area, and to develop novel related research questions. In particular, our goal each week is to generate in class the design/idea for at least one new study in the focal topic area. In addition, my goal is to help you develop the skill of reading and critiquing an academic paper. We will therefore have student-led discussions of papers and required summaries (see below).

The readings (available on Canvas) should be **read carefully** by everyone attending the class (whether enrolled or sitting in; if you are unprepared, do not show up). In addition, in each class one or two students (depending on class size) will be responsible for leading the discussion on one of the papers. This responsibility entails two things: (1) guiding discussion on a specific paper, and (2) bringing a one-page summary of that paper to class – make copies for the whole class (and post on Canvas). For the article for which you are responsible, make sure to examine the stated objective and positioning of the research, the conceptual framework and hypotheses, the methodology, the results, the actual contribution, and opportunities for further research.

Finally, each student will be expected to prepare the following:

(1) **Each Week:** Prior to class (*no later than Thursday, 8:00 pm*), you are required to submit via Canvas a short “idea” based on the current set of readings. In this very brief response (a short paragraph, or a few bullet points), you could respond to a criticism you have about one of the papers, extend the original paper theoretically (maybe through developing boundary conditions), or suggest a more appropriate research approach (methods or analysis). Some of your ideas will be discussed in class each week.

\*Note that although what you submit should be very brief, it does not mean I expect little attention/time paid to thinking about this. To the contrary, this should be the most important/challenging action on your part—to come up with a thoughtful criticism/idea and to succinctly describe it.

(2) One goal of this seminar is to help you develop the skills to read academic papers and be able to communicate key ideas, methods, findings, conclusions, and yes, weaknesses. To this end, every week students will help lead a discussion on a paper and will circulate a **1-page summary of that paper** [hardcopies in class, posted on Canvas, and also by email to me the evening before (*no later than Thursday at 8:00 pm*)]. Each student will do this once or twice during the semester, depending on class size.

(3) **Research Proposal.** This includes two (2) components:

- a. Presentation of your research ideas on the final meeting. This (brief) presentation should include all of the aspects of the research proposal described below.
- b. Research Proposal (3-4 pages double spaced) due on October 30. The proposal must include the following: clear presentation and motivation of the problem and contribution, a concise mention of key findings from the literature, well developed hypotheses, and most importantly, a plan to test your hypotheses (e.g., experiment).

\* Note that the proposed research idea must (generally) relate to the JDM topics we focus on during the seminar. Even if this idea builds on your current (non JDM) interests, the goal of this proposal is take a JDM perspective on whatever problem you are addressing.

### **Grading Components:**

- 50% Class contribution (including weekly ‘idea’ and assigned papers).
- 50% Research paper
  - 5%: Paper idea outline
  - 5%: In-class presentation
  - 40%: Final proposal

**Course Schedule**  
*-- subject to change --*

*Revised: August 3, 2015*

<b>Date</b>	<b>Topic</b>	<b>Deadlines</b>
1. August 28	Introduction to Consumer Judgment and Decision-Making Research	
2. September 4	Constructed Decision Processes and Context-Dependent Preferences	
3. September 11	Choice and Well-Being	
4. September 18	Loss Aversion, The Endowment Effect, and Mental Accounting	
5. TBD*	Intertemporal Choice: From Anomalies to Processes in Choice over Time	
6. October 2	Emotions, Meaning, and Subjective Well Being In Decision Making	
7. October 16	Integrating Knowledge and Considering Future Research in Consumer Decision Making. Wrap-Up and Student presentation	Student research presentation

## **Detailed Course Schedule and Reading List**

*-- subject to change --*

### **Session 1: Course Introduction (and some foundation)**

#### Introduction to Consumer Judgment and Decision Making

**General Overview:** The readings below will provide different perspectives on behavioral decision research from its infancy to more current perspectives. It might be hard to digest the full content in these articles, which is to be expected, but they will provide a good overview. We will revisit (and critique) these perspectives in our last session.

Kahneman, Daniel (1991), "Judgment and Decision Making: A Personal View," *Psychological Science*, 2 (May), 142-145.

Loewenstein, George (2001), "The Creative Destruction of Decision Research," *Journal of Consumer Research*, 28 (December), 499-505.

[Skim, not covered in any detail] Weber, Elke U. and Eric J. Johnson (2009), "Mindful Judgment and Decision Making," *Annual Review of Psychology*, 60, 53-85. [Other (older) Annual Review chapters are listed in the end of the syllabus, as are some relevant books.]

#### Heuristics and Biases

**Classic papers:** The Heuristics and Biases perspective in decision research:

Tversky, Amos and Daniel Kahneman (1974), "Judgment under Uncertainty: Heuristics and Biases," *Science*, 185, 1124-1131.

Tversky, Amos and Daniel Kahneman (1986), "Rational Choice and the Framing of Decisions," *Journal of Business*, 59 (4), S251-S278

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

[Discussion of prospect theory is included in the 1986 article above, but it is a classic that every student in the behavioral sciences should read at least 17 times.]

## **Session 2: Constructed Preferences and Context Dependent Preferences**

### Background (not discussed in detail):

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

### Context Dependent Preferences

\*\*A classic paper, will be discussed only briefly\*\* Huber, Joel, John W. Payne, and Christopher Puto (1982), "Adding Asymmetrically Dominated Alternatives: Violations of Regularity and the Similarity Hypothesis," *Journal of Consumer Research*, 9 (June), 90-97.

Simonson, Itamar and Amos Tversky (1992), "Choice in Context: Tradeoff Contrast and Extremeness Aversion," *Journal of Marketing Research*, 29 (August), 281-295.

Amir, On and Jonathan Levav (2008), "Choice Construction versus Preference Construction: The Instability of Preferences Learned in Context," *Journal of Marketing Research*, 45 (2), 145-158.

### Deliberative vs. Implicit Preference Construction

Payne, John W. Samper, A., James R. Bettman, Mary Frances Luce, (2009), "Boundary Conditions on Unconscious Thought in Complex Decision Making," *Psychological Science*, 19(1), 1118-1123.

### -- Additional Relevant Readings (not covered in class):

Simonson, Itamar (2008), "Will I like a "medium" pillow? Another look at constructed and inherent preferences," *Journal of Consumer Psychology*, 18(3), 55-169.

Wilson, Timothy D., and Jonathan W. Schooler (1991), "Thinking too much: Introspection can reduce the quality of preferences and decisions," *Journal of Personality and Social Psychology*, 60, 181-192.

Nordgren, Loran F. and Ap Dijksterhuis (2009), "The Devil Is in the Deliberation: Thinking Too Much Reduces Preference Consistency," *Journal of Consumer Research*, 36 (June), 39-46.

Dhar, Ravi, and Itamar Simonson (2003), "The Effect of Forced Choice on Choice," *Journal of Marketing Research*, 40 (May), 146-160.

Rom Y. Shrift, Oded Netzer, Ran Kivetz (2011), "Complicating Choice: the Effort Compatibility Hypothesis," *Journal of Marketing Research*, 48 (2), 308-326

Dhar, Ravi (1997), "Consumer Preference for a No-choice Option," *Journal of Consumer Research*, 24 (2), 215-231.

Luce, Mary Frances (1998), "Choosing to Avoid: Coping with Negatively Emotion-Laden Consumer Decisions," *Journal of Consumer Research*, 24 (March), 409-433.

Shiv, Baba and Alexander Fedorikhin (1999), "Heart and Mind in Conflict: the Interplay of Affect and Cognition in Consumer Decision Making," *Journal of Consumer Research*, 26 (December), 1999

Simonson, Itamar (1989), "Choice Based on Reasons: The Case of Attraction and Compromise Effects," *Journal of Consumer Research*, 16 (September), 158-174.

### **Session 3: Choice and Well-being**

Iyengar, Sheena S and Lepper, Mark R. (2000), "When Choice is Demotivating: Can One Desire Too Much of a Good Thing?" *Journal of Personality and Social Psychology*, 79 (6), 995-1006.

Botti, Simona, and Sheena S. Iyengar (2004), "The Psychological Pleasure and Pain of Choosing: When People Prefer Choosing at the Cost of Subsequent Outcome Satisfaction," *Journal of Personality and Social Psychology*, 87 (3), 312-326

Chernev, Alexander, Ulf Bockenholt and Joseph Goodman (2015), "Choice Overload: Conceptual Review and Meta-Analysis" *Journal of Consumer Psychology* (January)

Berman, Jonathan Z. and Deborah A. Small (2012), "Self-interest without selfishness: The hedonic benefit of imposed self-interest," *Psychological Science*, 10, 1193-99.

#### -- Additional Relevant Readings (not covered in class):

Botti, Simona, Kristina Orfali, and Sheena S. Iyengar (2009), "Tragic Choices: Autonomy and Emotional Responses in Medical Decisions," *Journal of Consumer Research*, 36 (3), 337-52 (lead article)

Botti, Simona, and Ann L. McGill (2006), "When Choosing Is Not Deciding: The Effect of Perceived Responsibility on Satisfaction," *Journal of Consumer Research*, 33 (2), 211-19 (2007 Robert Ferber Award)

Botti, Simona, and Sheena S. Iyengar (2006), "The Dark Side of Choice: When Choice Impairs Social Welfare," *Journal of Public Policy and Marketing*, 25 (1), 24-38

#### **Session 4: Loss Aversion, The Endowment Effect, and Mental Accounting**

Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler (1991), "The Endowment Effect, Loss Aversion, and the Status Quo Bias," *Journal of Economic Perspectives*, 5 (1), 193-206.

Novemsky, Nathan and Daniel Kahneman (2005), "The Boundaries of Loss Aversion," *Journal of Marketing Research*, 42 (May), 119-128.

Weaver, Ray and Shane Frederick (2012), "A Reference Price Theory of the Endowment Effect," *Journal of Marketing Research*, 49(5).

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

\*[If time permits]\* Heath, Chip and Jack Soll (1996), "Mental Budgeting and Consumer Decisions," *Journal of Consumer Research*, 23, 40-52.

-- Additional Relevant Readings (not covered in class):

##### -----Loss Aversion

Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler (1990), "Experimental Tests of the Endowment Effect and the Coase Theorem," *Journal of Political Economy*, 98 (December), 1325-1348.

Strahilevitz, Michal A. and George Lowenstein (1998), "The Effect of Ownership History on the Valuation of Objects," *Journal of Consumer Research*, 25 (December), 276-289

Johnson, Eric J., Gerald Häubl, and Anat Keinan (2007), "Aspects of Endowment: A Query Theory of Value Construction," *Journal of Experimental Psychology: Learning Memory, and Cognition*, 33 (3), 461-474.

Schurr, Amos. and Ilana Ritov (2014), "The Effect of Giving It All Up on Valuation: A New Look at The Endowment Effect," *Management Science*, 60 (3), pp. 628-637.

##### -----Mental Accounting

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

Cheema, Amar and Dilip Soman (2008), "The Effect of Partitions on Controlling Consumption," *Journal of Marketing Research*, 45 (December).

Gourville John T. and Dilip Soman (1998) "Payment Depreciation: The Behavioral Effects of Temporally Separating Payments from Consumption," *Journal of Consumer Research*, 25 (2), 160-174.

Levav, Jonathan and A. Peter McGraw (2009), "Emotional Accounting: How Feelings About Money Influence Consumer Choice," *Journal of Marketing Research*, 46 (1), 66-80.

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

**Gourville, John T., and Dilip Soman (1998), "Payment Depreciation: The Behavioral Effects of Temporally Separating Payments from Consumption," *Journal of Consumer Research*, 25 (September), 160-174.** Session 5: Intertemporal Choice: From Anomalies to Processes

General overview:

[Current review chapter, will not be discussed in depth]. Urminsky, Oleg and Gal Zauberman (forthcoming), "The Psychology of Intertemporal Choice," a chapter to appear in Balckwell's *Handbook of Judgment and Decision Making*. Editors: Gideon Karen and George Wu.

Anomalies and Processes

Thaler, Richard H. (1981), "Some Empirical Evidence on Dynamic Inconsistency," *Economics Letters*, 8, 201-207.

Malkoc, Selin and Gal Zauberman (2006), "Deferring versus Expediting Consumption: The Effect of Outcome Concreteness on Sensitivity to Time Horizon," *Journal of Marketing Research*.

Bartels, Daniel M. and Oleg Urminsky (2011), "On Intertemporal Selfishness: How the Perceived Instability of Identity Underlies Impatient Consumption," *Journal of Consumer Research*, 38, 182-198

Zauberman, Gal and John Lynch (2005), "Resource Slack and Propensity to Discount Delayed Investments of Time versus Money," *Journal of Experimental Psychology: General*, 134 (1), 23-37.

-- Additional Relevant Readings (not covered in class):

A very well cited Review: Frederick, Shane, George F. Loewenstein, and Ted O'Donoghue (2002), "Time Discounting and Time Preference: A Critical Review," *Journal of Economic Literature*, 40 (2), 351-401.

Ainslie, George (1975), "Specious Reward: A Behavioral Theory of Impulsiveness and Impulse Control," *Psychological Bulletin*, 82 (4), 463-96.

This is a classic.

Trope, Yaacov and Nira Liberman (2003), "Construal Level Theory," *Psychological Review*, 110, 403-421.



If you are not familiar with Construal Level Theory, this is a good overview.

Metcalfe, Janet and Walter Mischel (1999), "A Hot/Cool-System Analysis of Delay of Gratification: Dynamics of Willpower," *Psychological Review*, 106(1), 3-19.

Fujita, Kentaro, Yaacov Trope, Nira Liberman and Maya Levin-Sagi (2006), "Construal Levels and Self Control," *Journal of Personality and Social Psychology*, 90(3), 351-367.

Read, Daniel, Shane Frederick, Burcu Orsel and Juwaria Rahman. (2005), "Four Score and Seven Years From Now: The Date/Delay Effect in Temporal Discounting," *Management Science*, 51 (9), 1326-1335.

### **Session 6: Selected Topics II: Emotions, Meaning, and Subjective Well-Being in Decision Making**

#### Emotions in Decision Making:

Lerner, Jennifer S., Deborah A. Small, and George Loewenstein (2004), "Heart Strings and Purse Strings: Carryover Effects of Emotions on Economic Decisions," *Psychological Science*, 15 (May), 337-341.

Rottenstreich, Yuval and Chris K. Hsee (2001), "Money, kisses, and electric shocks: An affective psychology of risk," *Psychological Science*, 12, 185-190.

#### Meaning and Subjective Well-Being in Decision-Making:

[General overview, skim] Dan Ariely, Michael I. Norton (2009), "Conceptual Consumption," *Annual Review of Psychology*, 60, 475-499.

Gal Zauberman, Rebecca K. Ratner, B. Kyu Kim, (2009), "Memories as Assets: Strategic Memory Protection in Choice over Time," *Journal of Consumer Research*, 35 (5), 715-728.

Loewenstein, G. (1999), "Because it is there: The challenge of mountaineering... for utility theory," *Kyklos*, 52, 315-44.

\*[If time permits]\* Keinan, Anat, and Ran Kivetz (2011), "Productivity Orientation and the Consumption of Collectable Experiences." *Journal of Consumer Research*, 37 (6).

#### -- Additional Relevant Readings (not covered in class):

##### ----- Emotions:

Loewenstein, George, and Jennifer S. Lerner (2003), "The role of affect in decision making," in Richard Davidson, H. Goldsmith, & Klaus Scherer (Eds.), *Handbook of Affective Science*, 619-642, Oxford: Oxford University Press.

Mellers, Barbara A., Alan Schwartz, K. Ho, and Ilana Ritov, (1997), "Decision affect theory: Emotional reactions to the outcomes of risky options," *Psychological Science*, 8, 423-429.

Levav, Jonathan and A. Peter McGraw (2009), "Emotional Accounting: How Feelings About Money Influence Consumer Choice," *Journal of Marketing Research*, 46 (1), 66-80.

Lerner, Jennifer S., Roxana M. Gonzalez, Deborah A. Small, and Baruch Fischhoff (2003), "Emotion and perceived risks of terrorism: A national field experiment," *Psychological Science*, 14 (2), 144-50.

Loewenstein, George and Deborah A. Small (2007), "The scarecrow and the tin man: The Vicissitudes of Human Sympathy and Caring," *Review of General Psychology* (Special Issue on Emotions and Decision Making), 11 (2), 112-26.

----- Meaning and Subjective Well-Being:

Elster, Jon and George. F Loewenstein (1992), "Utility from Memory and Anticipation," in Loewenstein, George. F. and Jon Elster (Eds), *Choice Over Time*, 3-34, New York, NY: Russell Sage Foundation

Hsee, Christopher K., Yang Yang, Naihe Li, and Luxi Shen (2009), "Wealth, warmth and wellbeing: Whether happiness is relative or absolute depends on whether it is about money, acquisition, or consumption," *Journal of Marketing Research*, XLVI (June), 396-409.

Bhattacharjee, Amit and Cassie Mogilner (2014), "Happiness from Ordinary and Extraordinary Experiences," *Journal of Consumer Research*, 41(1).

**Session 7: Integrating Knowledge and Considering Future Research in Consumer Decision Making.**

*NO new readings.*

Agenda for last class:

1. Wrap-Up and Review  
Discussion of key concepts, how they all fit together, and where we go from here.
2. Student idea presentation

## Relevant Annual Review chapters

[In general, Annual Review chapters are an excellent reference and provide solid review of a field.]

Shafir, Eldar and, Robyn A. LeBoeuf (2002), "Rationality," *Annual Review of Psychology*. Volume 53, Page 491-517, Feb 2002

R. Hastie (2001), "Problems For Judgment And Decision Making," *Annual Review of Psychology*. Volume 52, Page 653-683, Feb 2001

Mellers, B. A., A. Schwartz, A. D. J. Cooke (1998), "Judgment And Decision Making," *Annual Review of Psychology*. Volume 49, Page 447-477, Feb 1998.

Payne, J W, J R Bettman, and, E J Johnson (1992), "Behavioral Decision Research: A Constructive Processing Perspective," *Annual Review of Psychology*. Volume 43, Page 87-131, Jan 1992

Slovic, P, B Fischhoff, and, S Lichtenstein (1977), "Behavioral Decision Theory," *Annual Review of Psychology*. Volume 28, 1-39.

Edwards, W (1961), "Behavioral Decision Theory," *Annual Review of Psychology*. Volume 12, Page 473-498, Jan 1961

Also good references about consumer judgment and decision making:

Simonson, Itamar, Ziv Carmon, Ravi Dhar, Aimee Drolet, Stephen M. Nowlis (2001), "Consumer Research: In Search of Identity," *Annual Review of Psychology*. Volume 52, Page 249-275, Feb 2001

Bettman J. R. (1986), "Consumer Psychology," *Annual Review of Psychology*. Volume 37, Page 257-289.