

MKTG 951: Judgment and Decision Making Perspectives on Consumer Behavior

Fall 2021

Instructor: Barbara Mellers mellers@wharton.upenn.edu

Office Hour: Thursdays, 3:00 – 4:00 pm.

When and Where: Fridays 8:45-11:45 am (JMHH 741; Marketing Conference Room)

Course website: Canvas

Course Overview:

This course will give you an overview of key judgment and decision-making topics in consumer research. Each week, we'll cover combinations of classic papers that represent foundational ideas and newer papers about recent findings and controversies. I'll give a mini-lecture about the topic, and then we'll discuss the articles for the week. Finally, each person will present a research idea. Write it up and bring copies to share. Your job is to read the assigned papers carefully, be prepared to discuss them and come up with lots of theoretical, experimental or applied ideas. On the last day of classes, students will present their final research proposals.

Assignments

Each week, read the assigned papers and while reading, write down questions about papers to ask and discuss in class! We'll talk about theories, evidence, statistics, quality of the design and the implications. When reacting to papers, make connections, express doubts and build on ideas. Your goal is to design a polished research project by the end of the course. Each week, students will present idea papers and lead discussions about papers.

Turn in your idea paper each week (except the first and the last), on Canvas before 5 pm on Thursday. State a testable hypothesis. Define terms and state claims so that, if tested, they could be right or wrong. Then develop a study to test your hypothesis (hypotheses) and say how you would analyze the data. What should you find if your hypothesis is supported? What is a likely alternative result? What are the wider implications of your "data"?

On the last day of class, turn in a research paper that is a proposal for a study (maximum 8 pages). Students will present their work to the class. The proposal should build on one or more of your weekly ideas or it could be completely new. It should contain a brief literature review on important and relevant research following by the reasoning behind your hypothesis (hypotheses). Write a brief method section that explains what you would do, and a results section about how you would analyze data, what results would be consistent with your hypothesis and some other possible results. Then describe the inferences you would make and answer the "who cares" question!

Your Grade

- 30% Weekly Ideas and Discussion**
- 20% Brief Presentations of Articles and Class Participation**
- 45% Research Proposal**
- 5% Presentation**

Course Schedule

1. Sept 3rd, Background, History and Distinctions

Kahneman, D. & Tversky, A. (1979). Prospect theory: An analysis of decision under risk, *Econometrica*, 47, 263-291.

Tversky, A. & Kahneman, D. (1986), Rational choice and the framing of decisions. *Journal of Business*, 59, S251-S278.

Tetlock, P.E., & Mellers, B.A. (2002). The great rationality debate: The impact of Kahneman and Tversky's research program. *Psychological Science*, 13, 94-99.

Kahneman, D. & Fredrick, S. (2002). Representativeness revisited: Attribute substitution in intuitive judgment. *Heuristics and Biases: The psychology of intuitive judgment*. 49-81.

Recommended Reading

Kahneman, D. (2011). *Thinking, fast and slow*. Chapters 1 and 2

2. Sept 10th Loss Aversion, Framing and Mental Accounting

Kahneman, D., Knetsch, J. & Thaler, R. (1991). The endowment effect, loss aversion, and the status quo bias, *Journal of Economic Perspectives*, 5, 193-206.

Weaver, R. & Frederick, S. (2012) A Reference Price Theory of the Endowment Effect, *Journal of Marketing Research*. 696-707.

Thaler, R. (1999), Mental accounting matters, *Journal of Behavioral Decision Making*, 12, 183-206.

Recommended Readings:

Gal, D. & Rucker, D. (2018). The loss of loss aversion: Will it loom larger than gains? *Journal of Consumer Psychology*, 28, 497-516.

Yecham, E., & Hochman, G. (2013). Losses as modulators of attention: Review and analysis of the unique effects of losses over gains. *Psychological Bulletin*, 139, 497-518.

3. Sept 17th Constructed Choices and Contextual Effects

Shafir, E., Simonson, I., & Tversky, A. (1993). Reason-based choice. *Cognition*, 49(1-2), 11-36.

Slovic, P., Finucane, M., Peters, E., & MacGregor, D. (2002). The affect heuristic. In T. Gilovich, D. Griffin & D. Kahneman (Eds.), *Heuristics and biases: The psychology of intuitive judgment* (pp. 397-420). New York, NY: Cambridge University Press.

Mellers, B.A., & Cooke, A. D.J. (1996). The role of task and context in preference measurement. *Psychological Science*, 7, 76-82.

Bettman, J. R., Luce, M. F., & Payne, J. W. (1998). Constructive consumer choice processes," *Journal of Consumer Research*, 25, 187-217.

Recommended Reading

Rieskamp, J., Busemeyer, J., & Mellers, B.A. (2006.) Extending the bounds of rationality: Evidence and theories of preferential choice. *Journal of Economic Literature*, 44, 631-661.

Ariely, D., & Levav, J. (2000). Sequential choice in group settings: Taking the road less traveled and less enjoyed. *Journal of Consumer Research*, 27, 279-290.

4. Sept 24th Beliefs, Confidence and Optimism

Lovallo, D. & Kahneman, D. (2003). Delusions of success: How optimism undermines executives' decisions. *Harvard Business Review*.

Gigerenzer, G. (2014). *Risk Savvy*. Chs 1-3

Fischhoff, B. (2005). Risk perception and communication. In D. Kamien (ed.), *McGraw-Hill Handbook of Terrorism and Counter-terrorism* (p. 463-492). New York: McGraw-Hill. Revised, 2012.

Moore, D.A. & Healy, P. (2008). The trouble with overconfidence. *Psychological Review*, 115, 2, 502-517.

Recommended Reading

Gigerenzer, G. & Hoffrage, U. (1995). How to improve Bayesian reasoning without instruction: Frequency formats. *Psychological Review*, 4, 683-704.

5. Oct 1st Emotions and Decisions

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

Mellers, B. A. (2000). "Choice and the relative pleasure of consequences. *Psychological Bulletin*, 126, 910-924.

Kahneman, D., & Deaton, A. (2010). High income improves evaluation of life but not emotional well-being. *Proceedings of the National Academy of Sciences*, 107, 16489-16493

Rozin, P. & Royzman, E. (2001). Negativity Bias, Negativity dominance, and contagion. *Personality and Social Psychology Review*, 5, 296–320

Recommended Readings:

Isen, A. M (1993). Positive affect and decision making. In M. Lewis & J.M. Haviland (Eds.), *Handbook of emotions* (pp 261-277). New York: Guilford Press

Kahn, Barbara E. and Alice Isen (1993), "The Influence of Positive Affect on Variety Seeking among Safe, Enjoyable Products, *Journal of Consumer Research*.

Lerner, J., Li, Y., Valdesolo, P., & Kassam, K. (2015). Emotion and decision making. *Annual Review of Psychology*, 66, 799-823.

6. Oct 8th Improving Decisions

Sunstein, C. (2014). Nudging: A very short guide. *Journal of Consumer Policy*.

Thaler, R. H., Sunstein, C. R., & Balz, J. P. (2010). Choice architecture. In (Ed.) E. Shafir. *The Behavioral Foundations of Public Policy*, (pp. 428 -439).

Soll, J., Milkman, K., & Payne, J. (2018). A user's guide to debiasing.

Thaler, R. Sunstein, C (2008). Biases and blunders. In *Judged: Improving decisions about health, wealth and happiness*. P 103-131.

Recommended Reading:

Thaler, R. The Power of Nudges for Good and Bad, NYT Oct 31, 2015.

Jung, J. & Mellers, B.A. (2016). American attitudes toward nudges, *Journal of Judgment and Decision Making*, 11, 62–74.