

MKTG 9500-301 Judgment and Decision-Making Perspectives on Consumer Behavior - Part A

Professor Barbara Mellers

Fall 2022

Instructor: Barbara Mellers mellers@wharton.upenn.edu

Office Hours: Thursday, 3:00 – 4:00 pm.

When and Where: Fridays 8:30-11:30 am (JMHH 741; Marketing Conference Room)

Course website: Canvas

Course Overview:

This course will give you an understanding of judgment and decision-making in consumer behavior. Each week, we'll cover some classic papers that represent foundational ideas and some newer papers about more recent findings and controversies. I'll give a mini-lecture about the topic, and then we'll discuss the weekly articles. Finally, each person will present a research idea. Bring questions/thoughts about the assigned papers and a research idea to each class (except the first). Each student should read all assigned papers carefully, be prepared to discuss them and come up with a research idea. Everyone will eventually select a research idea for their paper - it can be one from previous weeks or a brand new one. On the last day of class, students will present their final research papers.

Assignments

There will be assigned papers each week. While reading, write down questions, comments, criticisms and any connections you see. Ask yourself what is missing in the story and build on ideas. Discuss theories, evidence, statistics, quality of experimental designs and implications. Your goal is to find ideas that interest you and develop a polished research project.

Come up with at least one interesting question to discuss about each assigned paper. Put questions on Canvas before 5 pm on Thursday. For your research idea, state a testable hypothesis (or more than one). This turns out to be more difficult than you think! Define terms so that the hypothesis is actually testable – that means it can be evaluated without the help of a lawyer. Then develop a study to test your hypothesis and state how you would analyze the data. What would you find if your hypothesis was supported? What might you find if it wasn't? Are there wider implications of your “data”?

At 5 pm on Oct 13th, turn in a research proposal (maximum 8 pages). Students will present their work to the class. The proposal can build on weekly ideas or be completely new. It should be in APA style and contain a brief literature review on relevant research following by the reasoning

behind your 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 an example of what you might find instead. Then describe the inferences you would make and answer the “who cares” question.

Please talk to me about your projects! We can talk during office hours, after class or in appointments.

Where do you get ideas for your research proposal? Class discussions, assigned readings, recommended readings, or articles that I will share with you if something catches your attention.

Your Grade

30% Weekly Research Ideas (Sept 9th, Sept 16th, Sept 23nd and Sept 30th)

15% Weekly Questions (Sept 9th, Sept 16th, Sept 23nd and Sept 30th)

15% Class Participation (Sept 2nd – Oct 14th)

40% Research Proposal (Due Oct 14th)

Course Schedule

Sept 2nd, BACKGROUND, HISTORY & 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. & Frederick, 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

Sept 9th LOSS AVERSION, FRAMING & 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.

Yechiam, 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.

Sept 16th CONSTRUCTED CHOICES & 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. FALLON

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.

Sept 23th BELIEFS, CONFIDENCE & OPTIMISM

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

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

Fischhoff, B., Bostrom, A. & Quadrell, M. (1993) Risk perception and communication, *Annual Review of Publ. Health*, vol 14, p. 183-203

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

Recommended Reading

Hoffrage, U., Krauss, S., Martignon, L., & Gigerenzer, G. (2015). Natural frequencies improve Bayesian reasoning in simple and complex inference tasks. *Frontiers of Psychology*.

Sept 30th EMOTIONS & 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 (2000). 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.

Oct 14th 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. (2016). A user's guide to debiasing. In Handbook of Judgment and Decision Making, Chapter 33

Kahneman, Sibony and Susteain (2021). Noise. Chapters 1-3

Recommended Reading

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

STUDENT PRESENTATIONS: Paper due Oct 14th by 5pm