

Revised: September 5, 2011



**PhD Seminar on
Consumer Behavior II: Judgment and Decision Making
B9610-15**

Fall 2011

Instructor:	Michel Tuan Pham
Office:	515 Uris Hall
Phone:	854-3472
E-Mail:	tdp4@columbia.edu
Meeting times:	Thursday, 2:15-5:30PM
Classroom:	Uris Hall, Room 140

Course Objectives

The purpose of this course is to provide PhD students with a solid foundation for critical thinking and research on the judgment and decision making aspects of consumer behavior, marketing, and business in general, including organizational behavior. The course complements the Consumer Behavior I, which emphasizes information-processing, attitudes and persuasion aspects of consumer behavior. (The two Consumer Behavior PhD seminars can be taken in any sequence.) It also complements the “Bridging Behavioral Decision Research and Marketing Science” seminar (Prof. Ran Kivetz), with which overlaps should be minimal.

The literature on judgment and decision making is vast and remarkably interdisciplinary. It borrows from and contributes to various fields, including economics, statistics, psychology, medicine, law, organizational behavior, and marketing. As a result, we shall adopt a broad definition of judgment and decision making, and cover not just the “behavioral decision theory” (BDT) or “heuristics and biases” literature, but a wide range of behavioral research relevant to the study of judgment and decision making (JDM). Topics include basic utility theory, mental accounting, multi-attribute choice, affect and decision making, process tracing, “clinical” versus “statistical” decision making, context effects, vividness and salience effects, and (of course) judgment heuristics. The readings will consist of a mixture of “classics” (marked C) and recent articles, with a slight skew toward classics because of the foundation intent of the course.

Course Conduct

Each week, around 4-5 papers will be assigned. You are expected to read each article carefully and “pre-digest” it before class. A large part of your grade will be determined by your ability to thoughtfully discuss the readings in class. Finding flaws in the papers is not the primary goal. Instead, focus on: (1) the main ideas conveyed in the papers, (2) what they imply for various substantive domains (e.g., consumer behavior, marketing, organizational behavior), (3) how you would extend these ideas (e.g., new hypotheses, follow-up studies), only then think about (4) how you could improve the methodology.

Each time you come to class, I expect you to be able to do two things:

1. Be able to give us a 2-minute oral brief of what each paper is about. Your briefing should convey (a) the research question investigated, (b) the methodology used (e.g., the task and manipulations), (c) the main findings, and (d) what these findings mean theoretically. You should be able to give this briefing without notes (although having prepared some notes obviously helps). The point of this exercise is to get you into the habit of thinking of each paper as telling a “story.” As a future scholar, you should be able to retain and share the essence of these stories with others.
2. Propose at least one *original* hypothesis based on the set of readings assigned for that session, along with a proposed study (or set of studies) for testing this hypothesis. This hypothesis should have true theoretical meaning and be empirically testable. Expect to be called on in class to share your hypotheses and proposed studies. The point of this exercise is to get you to eventually be able to contribute to the literature, not just know it well. There’s no point in knowing the literature if one cannot add to it. Similarly, there’s no point in trying to add to the literature if you don’t know what is already out there.

Grading

50 % Participation. Your ability to deliver on the two points described above and to contribute *meaningfully* to class discussions (not just “talking”).

50 % Final Paper. You will select a topic related to individual decision making and write a mock JCR (or OBHDP) article. It should correspond to the style observed in empirical JCR (or OBHDP) articles. That is, you should go beyond reviewing the literature, propose original hypotheses, design a study to test these hypotheses, and for the first and last time of your career (except in similar assignments), you can “make up” the data. The paper is due on December 18 (10 days after our last class). No extension will be given. So, make sure that you start working on the paper early enough. Feel free to schedule a meeting with me to discuss your ideas.

Tentative Schedule

Session 1 (September 8)

Introduction to Consumer Decision Making & Economic Models of Decision Making and their Limitations

1. Blackwell, Roger D., Paul W. Miniard and James F. Engel (2006), "The Consumer Decision Process," in *Consumer Behavior*, 10th Edition, Thomson South-Western; 67-97
2. MacInnis, Deborah. J. and Valerie S. Folkes (2010), "The Disciplinary Status of Consumer Behavior: A Sociology of Science Perspective on Key Controversies." *Journal of Consumer Research*, 36(6): 899-914.
3. Edwards, Ward (1954), "The Theory of Decision Making," *Psychological Bulletin*, 51, 380-417. [C]
4. Simon, Herbert A. (1955), "A Behavioral Model of Rational Choice," *Quarterly Journal of Economics*, 69, 99-118. [C]

Session 2 (September 15)

Structural Models of Decision Making – Prospect Theory & Mental Accounting (I)

1. Kahneman, Daniel and Amos Tversky (1984), "Choices, Values, and Frames," *American Psychologist*, 39 (4), 341-350. [C]
2. Thaler, Richard (1985), "Mental Accounting and Consumer Choice," *Marketing Science*, 4 (3), 199-214. [C]
3. Arkes, Hal R., & Blumer, C. (1985), "The Psychology of Sunk Cost," *Organizational Behavior and Human Decision Processes*, 35(1): 124-140.
4. Heath, Chip and Jack B. Soll (1996), "Mental Budgeting and Consumer Decisions," *Journal of Consumer Research*, 23(1): 40-52
5. Novemsky, Nathan and Daniel Kahneman (2005), "The Boundaries of Loss Aversion," *Journal of Marketing Research*, 42(2): 119-128.

Session 3 (September 22)

Mental Accounting (II)

1. Gourville, John T. (1998), "Pennies-a-day: The effect of temporal reframing on transaction evaluation," *Journal of Consumer Research*, 24(4): 395-408.
2. Prelec, Drazen and George Loewenstein (1998), "The Red and the Black: Mental Accounting of Savings and Debt," *Marketing Science*, 17 (1), 4-28
3. Frederick, S., Novemsky, N., Wang, J., Dhar, R., & Nowlis, S. (2009), "Opportunity Cost Neglect," *Journal of Consumer Research*, 36(4): 553-561.
4. Zhou, Rongrong and Michel Tuan Pham (2004), "Promotion and Prevention across Mental Accounts: How Financial Products Dictate Consumers' Investment Goals." *Journal of Consumer Research*, Vol. 31 (June), 125-135
5. Thaler, Richard H. (1999), "Mental Accounting Matters," *Journal of Behavioral Decision Making*, 12(3): 183-206.

Session 4 (September 29)

Process Models of Consumer Choice & Ability to Report on Processes

1. Svenson, Ola (1979), "Process Descriptions of Decision Making," *Organizational Behavior and Human Decision Processes*, 23, 86-112.
2. Bettman, James R., Luce, Mary Frances, & Payne, John W. (1998), "Constructive Consumer Choice Processes," *Journal of Consumer Research*, 25(3), 187-217.
3. Nisbett, Richard E. and Timothy DeCamp Wilson (1977), "Telling More Than We Can Know: Verbal Reports on Mental Processes," *Psychological Review*, 84 (3), 231-259. [C]

Session 5 (Date TBC)

Decision Simplification: Consumer Search & Consideration

1. Hoyer, Wayne D. (1984), "An Examination of Consumer Decision-Making for a Common Repeat Purchase Product," *Journal of Consumer Research*, 11 (3), 822-29 [C]
2. Hauser, J. R., & Wernerfelt, B. 1990. An Evaluation Cost Model of Consideration Sets. *Journal of Consumer Research*, 16(4): 393-408.
3. Iyengar, Sheena S., and Mark R. Lepper (2000), "When Choice is Demotivating: Can One Desire too Much of a Good Thing?" *Journal of Personality and Social Psychology*, 79(6): 995-1006
4. Pham, Michel Tuan and Hannah Chang (2010), "Regulatory Focus, Regulatory Fit, and the Search and Consideration of Choice Alternatives," *Journal of Consumer Research*, 37 (December), 626-640

Manuscript History:

- a. First submission file
- b. First-round reviews
- c. Revised submission
- d. Revision notes
- e. Second-round reviews

Session 6 (October 20)

Context Effects and Reason-based Choice

1. 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), 90-98 [C]
2. Simonson, Itamar (1989), "Choice Based on Reasons: The Case of Attraction and Compromise Effects," *Journal of Consumer Research*, 16 (September), 158-174
3. Briley, Donell A., Michael W. Morris, and Itamar Simonson (2000), "Reasons as carriers of culture: Dynamic versus dispositional models of cultural influence on decision making," *Journal of Consumer Research*, 27(2): 157-178.
4. Shafir, Eldar, Itamar Simonson, and Amos Tversky (1993), "Reason-Based Choice," *Cognition*, 49, 11-36
5. 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(2): 181-192.

Session 7 (October 27)

Affect and Decision Making (I)

1. Isen, Alice M., Thomas E. Shalke, Margaret Clark, and Lynn Karp (1978), "Affect, Accessibility of Material in Memory, and Behavior: A Cognitive Loop?," *Journal of Personality and Social Psychology*, 36 (1), 1-12. [C]
2. Schwarz, Norbert and Gerald Clore L (1983), "Mood, Misattribution, and Judgments of Well-Being: Informative and Directive Functions of Affective States," *Journal of Personality and Social Psychology*, 45, 513-523. [C]
3. Zajonc, Robert B. (1980), "Feeling and Thinking, Preferences Need No Inferences," *American Psychologist*, 35 (2), 151-175 [C]
4. Zajonc, Robert B. and Hazel Markus (1982), "Affective and Cognitive Factors in Preferences," *Journal of Consumer Research*, 9 (September), 123-131.
5. Pham, Michel Tuan (1998), "Representativeness, Relevance, and the Use of Feelings in Decision Making," *Journal of Consumer Research*, Vol. 25 (September), 144-159.

Session 8 (November 3)

Affect and Decision Making (II)

1. Loewenstein, George (1996), "Out of Control: Visceral Influences on Behavior," *Organizational Behavior and Human Decision Processes*, 65 (3), 272-292. [C]
2. 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), 278-292.
3. Raghunathan, Rajagopal and Michel Tuan Pham (1999), "All Negative Moods are Not Equal: Motivational Influences of Anxiety and Sadness in Decision Making," *Organizational Behavior and Human Decision Processes*, Vol. 71 (July), 56-77.
4. Michel Tuan Pham, Leonard Lee, and Andrew T. Stephen (2011), "Feeling the Future: The Emotional Oracle Effect." *Journal of Consumer Research*, forthcoming
5. Pham, Michel Tuan (2007), "Emotion and Rationality: A Critical Review and Interpretation of Empirical Evidence," *Review of General Psychology*, 11 (2), 155-178.

Heuristics and Biases (I)

Classic Heuristics and Biases

1. Oskamp, Stuart (1965), "Overconfidence in Case-Study Judgments," *Journal of Consulting Psychology*, 29 (3), 261-65. [C]
2. Langer, Ellen J. (1975), "Illusion of Control," *Journal of Personality and Social Psychology*, 32 (2), 311-28. [C]
3. Tversky, Amos and Daniel Kahneman (1974), "Judgment under Uncertainty - Heuristics and Biases," *Science*, 185 (4157), 1124-31 [C]

Extensions of Availability Heuristic

1. Schwarz, Norbert, Herbert Bless, Fritz Strack, Gisela Klumpp, Helga Rittenauerschkatka, and Annette Simons (1991), "Ease of Retrieval as Information - Another Look at the Availability Heuristic," *Journal of Personality and Social Psychology*, 61 (2), 195-202. [C]
2. Tybout, A. M., B. Sternthal, P. Malaviya, G. A. Bakamitsos, and S. B. Park (2005), "Information Accessibility as a Moderator of Judgments: The Role of Content Versus Retrieval Ease," *Journal of Consumer Research*, 32 (1), 76-85. (Skim)

Heuristics and Biases (II)

Extension of Representativeness

1. Barhillel, Maya (1980), "The Base-Rate Fallacy in Probability Judgments," *Acta Psychologica*, 44 (3), 211-33 [C] (Skim)
2. Gilovich, Thomas (1981), "Seeing the Past in the Present - the Effect of Associations to Familiar Events on Judgments and Decisions," *Journal of Personality and Social Psychology*, 40 (5), 797-808.

Extension of Anchoring & Adjustment

3. Epley, Nicholas and Thomas Gilovich (2001), "Putting Adjustment Sack in the Anchoring and Adjustment Heuristic: Differential Processing of Self-Generated and Experimenter-Provided Anchors," *Psychological Science*, 12 (5), 391-96.

Debate on Heuristics and Biases and Recap

4. Gigerenzer (1991), "How To Make Cognitive Illusions Disappear," in Wolfgang Stroebe and Miles Hewstone (eds.), *European Review of Social Psychology*, Vol. 2, 83-115.
5. Kahneman and Tversky (1996), "On the Reality of Cognitive Illusions," *Psychological Review*, 103 (3), 582-591
6. Arkes, Hal R. (1991), "Costs and Benefits of Judgment Errors: Implications for Debiasing," *Psychological Bulletin*, 110 (3), 486-498

Session 11 (December 1)

Different Perspectives of Consumer Judgment and Decision Making

1. Shiv, Baba, Ziv Carmon, and Dan Ariely (2005), "Placebo Effects of Marketing Actions: Consumers May Get What They Pay For," *Journal of Marketing Research*, 42 (4), 383-93.
2. Dijksterhuis, Ap, Maarten W. Bos, Loran F. Nordgren, and Rick B. van Baaren (2006), "On Making the Right Choice: The Deliberation-without-Attention Effect," *Science*, 311, 1005-07.
3. Saad, Gad (2007), Chapter 3: Consumption and Darwinian Modules, in *The Evolutionary Bases of Consumption*, Psychology Press, 59-122
4. Griskevicius, V., Tybur, J. M., Sundie, J. M., Cialdini, R. B., Miller, G. F., & Kenrick, D. T. (2007), "Blatant benevolence and conspicuous consumption: When romantic motives elicit strategic costly signals," *Journal of Personality and Social Psychology*, 93(1): 85-102.
5. Wood, Wendy an David T. Neal (2009), "The habitual consumer," *Journal of Consumer Psychology*, 19(4): 579-592.

Session 12 (December 8)

Final Paper Presentations