

# National School of Development, Peking University

Fall 2015

**Seminar in Consumer Behavior: Judgment and Decision Making**

## - COURSE OUTLINE -

### 1. COURSE OVERVIEW

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The purpose of this seminar is to provide selective coverage of the research carried out in the area of judgment and decision making. We will focus on the theories relevant to understanding how people make choices in a variety of settings. For each topic, we will attempt to determine the main ideas and research issues which have driven work in that area; what we have learned to date; and what gaps exist in our knowledge. Class discussion will include conceptual topics, which deal with substantive issues in the domain of judgment and decision behavior, and research methodologies, which involve a discussion of the process of generating academic research. Coursework consists of scholarly readings, class presentations, and a term paper (research proposal).

### 2. LEARNING GOALS

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1. The primary purpose of this course is a survey of the judgment and decision making literature. We will review the primary theoretical ideas and make connections to the marketing objective of understanding and predicting consumer behavior.
2. A secondary goal is to consider research methods in consumer behavior, including but not limited to experimental laboratory techniques. Each paper that we review in class affords an opportunity to assess critically the methods used to capture a particular conceptual idea. Some of the methods are standard, some are highly innovative, and some are questionable. Our discussions are intended to increase your sophistication in critiquing others' and developing your own research methods.
3. A third goal is to consider the best ways to design and develop a research program that makes a meaningful contribution. We will discuss the basis of theory, ways of constructing research streams, and how best to frame or tell the story of your research ideas. Many a great research idea die at the stage of communication, whereas sometimes weak data sets reach acclaim because of a skillful narrative. We will see examples of great writing and terrible writing, and on this basis derive insights as to how best to present your own original research to scientific as well as lay communities.

### **3. COURSE FORMAT**

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Each class is a 3-hour seminar. Language is English. A typical class will consist of a one or two 30-minute presentations by students, interspersed with group discussion. Also for each class, one or two students will be selected to lead the discussion. The discussion leader will offer comment and criticism so as to stimulate further interaction. You should come to class prepared to discuss the required readings in detail. The background readings are optional.

### **4. WEEKLY QUESTION ASSIGNMENT**

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Prior to class, submit 2 question of a conceptual nature and 2 question of a methodological nature. These might be questions that truly puzzled you, or might involve gaps in your background knowledge. Most important, these should be questions that can stimulate class discussion, so be prepared to ask these questions in class. Deadline is 24 hours before the class session. Late submissions will not count toward your grade. Please email me your questions in a word document with an email title “week1\_questions\_YOURNAME” and a file title “week1\_questions\_YOURNAME”.

### **5. WEEKLY PRESENTATION**

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Each week, one or two students will give an overview presentation on the week’s topic. Aim for about 30 mins in length. The purpose of the presentation is to give background context and perspective on the week’s topic. For the first two weeks, I will be giving presentations so you will have an idea of how to give an overview presentation.

### **6. TERM PAPER**

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The term paper is a research proposal. Make a specific argument and then show how you will test it. The paper will be mainly conceptual development and literature review. Present your method section as per JCR format, but keep it brief. You should have enough methodological detail for me to see how you are testing your idea. Do not waste unnecessary space on methodological details that are perfunctory (subject recruiting, scale development, statistical tests); however, there should be justification of the methods selected (validation via past use, or a clear argument as to why you are capturing this versus another construct, etc.). You may propose one and ONLY one experiment/study (this forces you to design the very best study you can think of, without wasting time on conceptual replication). For your proposed study, assume a generous budget – i.e., design the study to be an optimal test without regard for cost. Please use JCR format throughout (and be sure to include an abstract, title page,

references, and citations in author-year format). Your word limit is 3000. Deadline is the Friday of the exam week at 5pm. Late papers will have 10% deducted. Please email me your paper in a word document with an email title "Term paper\_YOURNAME" and a file title "Term paper\_YOURNAME".

## **7. TERM PAPER PRESENTATION**

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You will give a 20 minute presentation of your research proposal two weeks before the exam week. The goal here is to convey the main ideas to the class, such that you can get feedback and helpful suggestions from both the class and me. Because the presentation is two weeks before the exam week, this will afford you ample time to incorporate the feedback into the final draft of your term paper. During the course of the term, I will present at least 2 of my research projects so you will have an idea of how to present your research.

## **8. SUMMARY DISCUSSION**

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We will have two summary discussions, one is on week 7 and the other is on week 16. The purpose of these summary discussions is threefold: 1) reviewing the key learning points, both theoretical and methodological; 2) making connections between topics; 3) an opportunity for you to ask questions and propose research ideas. I will give a lecture on point 1) and 2). Your task is to ponder upon these three points before class and prepare to address point 3) in class. This is not a written assignment, but it will greatly improve your understanding of research in judgment and decision making if you spend some time summarizing key learning points before class.

## **9. PARTICIPATION**

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You will be graded on your classroom participation. This seminar is designed to encourage discussion, argument, and debate. A good idea is to make notes based on your week's reading and bring these with you to class: you will then have a series of "talking points" in front of you to be drawn on when the classroom grows quiet. If you speak often in class, you will achieve full participation points very quickly.

## **10. READINGS**

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The readings are intended to be a snapshot of current and classic journal articles on judgment and decision making, published in both psychology and marketing journals. All assigned

readings will be send to you via email. The optional readings (background readings) are intended mainly for the presenter and discussion leader but feel free to delve into them even if you are interested. When reading the required articles, please think about the following questions (required):

What problem is addressed in this article?

What makes this an interesting problem (why should we care about this problem)?

What is this article's contribution to solving this problem (what makes the article noteworthy)?

What are the experimental hypotheses?

What are the key findings (effects and processes)?

You can also think about the following questions (optional):

What is the logical connection among the studies, and how are they related to the hypotheses?

How are the hypotheses tested (study design, results, statistical analyses)?

What are the key strengths and weaknesses (area for improvement) of the article? Think of an experiment that could address the identified weakness.

How would you extend this research? Identify a question that remains unanswered by this research and design a study to address this question.

## **11. FINAL GRADE**

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Discussion Questions 10%

Assigned Weekly Presentation 20%

Term Paper 50%

Term Paper Presentation 10%

Participation 10%

## READINGS

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### 1) Introduction and Overview of Consumer Research

#### Required Readings:

Holbrook, Morris B. (1987), "What is Consumer Research?" *Journal of Consumer Research*, 14 (June), 128-132.

Calder, Bobby J. and Alice Tybout (1987), "What Consumer Research is ...," *Journal of Consumer Research*, 14 (June), 136-140.

Holbrook, Morris B. and John O'Shaughnessy (1988), "On the Scientific Status of Consumer Research and the Need for an Interpretive Approach to Studying Consumption Behavior," *Journal of Consumer Research*, 15 (December), 398-402.

Cook, T. D., and Campbell, D. T. (1979). Causal inference and the language of experimentation. In T. D. Cook and D. T. Campbell (Eds.), *Quasi-experimentation: Design and analysis issues for field settings* (pp. 1-36). Boston: Houghton Mifflin.

\*This chapter is extremely useful if you need a brief introduction to some of the philosophical thinking referred to in Holbrook and Calder and Tybout. If you have no background in experimental research, I would suggest you read this first.

### 2) What Makes a Good Theory

#### Required Readings:

Popper, Karl, (1962/1978), "Science, Pseudo Science and Falsifiability". In *Conjectures and Refutations*.

Calder, Bobby J., Lynn W. Phillips, and Alice M. Tybout (1981), "Design Research for Application," *Journal of Consumer Research*, 8 (September), 197-207.

Lynch, John G., Jr. (1982), "On the External Validity of Experiments in Consumer Research," *Journal of Consumer Research*, 9 (December), 225-239.

Sternthal, Brian, Alice Tybout, and Bobby J. Calder (1987), "Confirmatory vs. Comparative Approaches to Judging Theory Tests," *Journal of Consumer Research*, 14 (June), 114-125.

Davis, M. S. (1971), "That's interesting! Towards a Phenomenology of Sociology and a Sociology of Phenomenology," *Philosophy of Social Science*, 1, 309-344.

### 3) The Construction of Preference I

#### Required Readings:

Lichtenstein, Sarah and Paul Slovic (2006), *The Construction of Preference (Chapter 1)*, Cambridge University Press.

Payne, John W., James R. Bettman, and Eric J. Johnson (1993), *The Adaptive Decision Maker (Chapter 2)*, Cambridge University Press.

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 (1), 90-98.

Simonson, Itamar (1989), "Choice Based on Reasons: The Case of Attraction and Compromise Effects," *Journal of Consumer Research*, 16 (2), 158-74.

**Optional Readings:**

Dhar, Ravi (1997), "Consumer Preference for a No-Choice Option," *Journal of Consumer Research*, 24 (September), 215-31.

Kahneman, D. (2011). *Thinking, fast and slow (Chapter 1)*. Macmillan.

**4) The Construction of Preference II**

**Required Readings:**

Hsee, Christopher K. (1996), "The Evaluability Hypothesis: An Explanation for Preference Reversals between Joint and Separate Evaluations of Alternatives," *Organizational Behavior and Human Decision Processes*, 67 (3), 247-57.

Brenner, Lyle, Yuval Rottenstreich, and Sanjay Sood (1999), "Comparison, Grouping, and Preference," *Psychological Science*, 10 (3), 225-29.

Patricia West, Christina Brown, and Stephen Hoch (1996), "Consumption Vocabulary and Preference Formation," *Journal of Consumer Research*, 23 (September), 120-135.

Dhar, Ravi and Klaus Wertenbroch (2000), "Consumer Choice between Hedonic and Utilitarian Goods," *Journal of Marketing Research*, 37 (February), 60-71.

Ariely, D. (2000), "Controlling the information flow: Effects on consumers' decision making and preferences," *Journal of Consumer Research*, 27(2), 233-248.

**Optional Readings:**

Baba Shiv 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.

Hsee, C. K., Loewenstein, G. F., Blount, S., and Bazerman, M. H. (1999), "Preference reversals between joint and separate evaluations of options: a review and theoretical analysis," *Psychological bulletin*, 125(5), 576.

Hsee, Christopher and Jiao Zhang (2010), "General Evaluability Theory," *Perspectives on Psychological Science*, 5 (4), 343-55.

**5) Heuristics and Biases**

**Required Readings:**

Tversky, Amos and Daniel Kahneman (1974), "Judgment under Uncertainty: Heuristics and Biases," *Science*, 185 (4157), 1124-31.

Shah, A. K., and Oppenheimer, D.M. (2008), "Heuristics made easy: An effort-reduction framework," *Psychological Bulletin*, 134, 207-222.

Ariely, D., and Norton, M.I. (2008), "How actions create – not just reveal – preferences," *Trends in Cognitive Sciences*, 12, 13-16.

Wansink, B., Kent, R. J., and Hoch, S. J. (1998), "An anchoring and adjustment model of purchase quantity decisions," *Journal of Marketing Research*, 35, 71-81.

### **Optional Readings:**

Gilovich, T., and Savitsky, K. (1996), "Like goes with like: The role of representativeness in erroneous and pseudoscientific beliefs," *Skeptical Inquirer*, 20, 34-40.

Wegener et al. (2010), "Elaboration and numerical anchoring: Implications of attitude theories for consumer judgment and decision making," *Journal of Consumer Psychology*, 20, 5-16.

## **6) Decision Difficulty and Choice Overload**

### **Required Readings:**

Iyengar, Sheena and Mark Lepper (2000), "When Choice Is Demotivating: Can One Desire Too Much of a Good Thing?," *Journal of Personality and Social Psychology*, 79 (December).

Chernev, Alexander (2003), "When More Is Less and Less Is More: The Role of Ideal Point Availability and Assortment in Choice," *Journal of Consumer Research*, 30 (September).

Chernev, Alexander (2006), "Decision Focus and Consumer Choice among Assortments," *Journal of Consumer Research*, 33 (June).

Botti, S. and S. 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 (September), 312–326.

### **Optional Readings:**

Scheibehenne, Benjamin, Rainer Greifeneder, and Peter M. Todd (2010), "Can There Ever Be Too Many Options? A Meta-Analytic Review of Choice Overload." *Journal of Consumer Research*.

Chernev, Alexander, Ulf Böckenholt, and Joseph Goodman (2010) "Choice Overload: Is There Anything to It?" *Journal of Consumer Research*.

## **7) Summary Discussion**

## **8) Categorization and Qualitative Reasoning**

### **Required Readings:**

Arul Mishra and Himanshu Mishra (2010), "Border Bias: The Belief that State Borders can Protect against Disasters," *Psychological Science*, 21 (11).

Rozin, Paul, Michele Ashmore, and Maureen Markwith (1996), "Lay American Conceptions of Nutrition: Dose Insensitivity, Categorical Thinking, Contagion, and the Monotonic Mind," *Health Psychology*, 15 (November), 438-47.

Quinn, Kimberly A., C. Neil Macrae, and Galen V. Bodenhausen (2007), "Stereotyping and impression formation: How categorical thinking shapes person perception." *The Sage Handbook of Social Psychology*.

Chernev, Alexander (2011), "The Dieter's Paradox," *Journal of Consumer Psychology*.

### **Optional Readings:**

Chernev, Alexander and David Gal (2010), "Categorization Effects in Value Judgments: Averaging Bias in Evaluating Combinations of Vices and Virtues," *Journal of Marketing Research* (August).

Chernev, Alexander (2011), "Semantic Anchoring in Sequential Evaluations of Vices and Virtues," *Journal of Consumer Research* (February).

## **9) Compensatory Reasoning in Choice**

### **Required Readings:**

Sherman, David K. and Geoffrey L. Cohen (2006), "The Psychology of Self-Defense: Self-Affirmation Theory," *Advances in Experimental Social Psychology*, 38, 183-242.

Rucker, Derek D. and Adam D. Galinsky (2008), "Desire to Acquire: Powerlessness and Compensatory Consumption," *Journal of Consumer Research*, 35 (2), 257-67.

Gao, L, Christian Wheeler, and Baba Shiv (2008), "The "Shaken Self": Product Choices as a Means of Restoring Self-View Confidence," *Journal of Consumer Research*, 36 (June), 29-38.

### **Optional Readings:**

Dhar, Ravi and Itamar Simonson (1999), "Making Complementary Choices in Consumption Episodes: Highlighting Versus Balancing," *Journal of Marketing Research*, 36 (February), 29-44.

Khan, Uzma and Ravi Dhar (2006), "Licensing Effect in Consumer Choice," *Journal of Marketing Research* 43 (2), 259-66.

Chernev, Alexander and Ryan Hamilton (2008), "Compensatory Reasoning in Choice," *The Social Psychology of Consumer Behavior, Frontiers of Social Psychology* (Editors: Arie Kruglanski and Joseph Forgas).

## **10) Self-Expression in Consumer Choice**

### **Required Readings:**

Berger, Jonah and Chip Heath (2007), "Where Consumers Diverge from Others: Identity Signaling and Product Domains," *Journal of Consumer Research*, 34 (June), 121-34.

Chernev, Alexander, Ryan Hamilton, and David Gal (2011) "Competing for Consumer Identity: Limits to Self-Expression and the Perils of Lifestyle Branding," *Journal of Marketing* (May).

Escalas, Jennifer Edson and James R. Bettman (2005), "Self-Construal, Reference Groups, and Brand Meaning," *Journal of Consumer Research*, 32 (3), 378-89.

Ordabayeva, Nailya and Pierre Chandon (2011) "Getting Ahead of the Joneses: When Equality Increases Conspicuous Consumption among Bottom-Tier Consumers," *Journal of Consumer Research*, 38 (1), 27-41

Han, Y. J., Nunes, J. C., and Drèze, X. (2010), "Signaling status with luxury goods: The role of brand prominence," *Journal of Marketing*, 74(4), 15-30.

#### **Optional Readings:**

Aaker, Jennifer (1997), "Dimensions of Brand Personality," *Journal of Marketing Research*, 34 (August), 347-356.

Aaker, Jennifer L. (1999), "The Malleable Self: The Role of Self-Expression in Persuasion," *Journal of Marketing Research*, 36 (1), 45-57.

### **11) The Impact of Choice on Preference: The Long Shadow of Dissonance Theory**

#### **Required Readings:**

Aronson, E. and Mills, J. (1959), "The effect of severity of initiation on liking for a group," *Journal of Abnormal and Social Psychology*, 59, 177-181.

Gawronski, B., Bodenhausen, G. V., and Becker, A. P. (2007), "I like it because I like myself: Associative self-anchoring and post-decisional change of implicit attitudes," *Journal of Experimental Social Psychology*, 43, 221-232.

Gilbert, D. T., and Ebert, J. E. J. (2002), "Decisions and revisions: the affective forecasting of changeable outcomes," *Journal of Personality and Social Psychology*, 82, 503-514.

Risen, J. L. and Chen, M. K. (2010), "How to study choice-induced attitude change: Strategies for fixing the free-choice paradigm," *Personality and Social Psychology Compass*, 4, 1151-1164.

#### **Optional Readings:**

Elliot, A. J., and Devine, P. G. (1994), "On the motivational nature of cognitive dissonance: Dissonance as psychological discomfort," *Journal of Personality and Social Psychology*, 67, 382-394.

Festinger, L., and Carlsmith, J. M. (1959), "Cognitive consequences of forced compliance," *Journal of Abnormal and Social Psychology*, 58, 203-211.

### **12) Affective Influences on Choice and Judgment**

#### **Required Readings:**

Andrade, E. B., and Ariely, D. (2009), "The enduring impact of transient emotions on decision making," *Organizational Behavior and Human Decision Processes*, 109, 1-8.

Dhar, R., and Wertenbroch, K. (2000), "Consumer choice between hedonic and utilitarian goods," *Journal of Marketing Research*, 37, 60-71.

Garg, N., Wansink, B., and Inman, J. J. (2007), "The influence of incidental affect on consumers' food intake," *Journal of Marketing*, 71, 194-206.

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

**Optional Readings:**

Lerner, J., Small, D. A., and Loewenstein, G. (2004), "Heart strings and purse strings," *Psychological Science*, 15, 337-341.

**13) Regret and the Power of Comparison**

**Required Readings:**

Carter, T., and Gilovich, T. (2010), "The relative relativity of experiential and material purchases," *Journal of Personality and Social Psychology*, 98, 146-159.

Ratner, R. K., and Herbst, K. C. (2005), "When good decisions have bad outcomes: The impact of affect on switching behavior," *Organizational Behavior and Human Decision Processes*, 96, 23-37.

Roese, N. J., and Summerville, A. (2005), "What we regret most ... and why," *Personality and Social Psychology Bulletin*, 31, 1273-1285.

Zeelenberg, M., and Pieters, R. (2007), "A theory of regret regulation 1.0.," *Journal of Consumer Psychology*, 17, 3-18.

Zeelenberg, M and Van Putten, M. (2005), "The dark side of discounts: How missing a discount may promote brand switching," *Psychology and Marketing*, 22, 611-622.

**Optional Readings:**

Epstude, K., and Roese, N. J. (2008), "The functional theory of counterfactual thinking," *Personality and Social Psychology Review*, 12, 168-192.

Kray, L. J., George, L. H., Liljenquist, K. A., Galinsky, A. D., Tetlock, P. E., and Roese, N. J. (2010), "From what might have been to what must have been: Counterfactual thinking creates meaning," *Journal of Personality and Social Psychology*, 98, 106-118.

Reb, J. (2008), "Regret aversion and decision process quality: Effects of regret salience on decision process carefulness," *Organizational Behavior and Human Decision Processes*, 105, 169-182.

**14) Intertemporal Choice: Why Wait Until Tomorrow?**

**Required Readings:**

Pennington, G. L., and Roese, N. J. (2003), "Regulatory focus and temporal perspective," *Journal of Experimental Social Psychology*, 39, 563-576.

Soman, D., G. Ainslie, S. Frederick, X. Li, J. Lynch, P. Moreau, A. Mitchell, D. Read, A. Sawyer, Y. Trope, K. Wertenbroch, G. Zauberman (2005), "The psychology of intertemporal choice," *Marketing Letters*, 16, 347-360.

Trope, Y., Liberman, N., and Wakslak, C. (2007), "Construal levels and psychological distance: Effects on representation, prediction, evaluation, and behavior," *Journal of Consumer Psychology*, 17, 83-95.

Wilson, T. D. and Gilbert, D. T. (2005), "Affective forecasting: Knowing what to want," *Current Directions in Psychological Science*, 14, 131-134.

**Optional Readings:**

Burrus, J., and Roese, N. J. (2006), "Long ago it was meant to be: The interplay between time, construal and fate beliefs," *Personality and Social Psychology Bulletin*, 32, 1050-1058.

Ebert, J. E. J., Gilbert, D. T., and Wilson, T. D. (2009), "Forecasting and backcasting: Predicting the impact of events on the future," *Journal of Consumer Research*, 36, 353-366.

**15) Presentations of Research Proposals**

**16) Summary Discussion**