

**15.847 CONSUMER BEHAVIOR  
Fall 2004**

**Mondays & Wednesdays  
8:30am – 10:00am (A)  
10:00am – 11:30am (B)  
in  
E51-345**

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**Course description:**

Which sounds like a better deal: “Buy 2, get one free!” or “33% off!”? What is the optimal size of a free sample of cologne? (Presumably big enough to stimulate purchase of a full sized bottle, but not so big that it is used as a substitute for that bottle.) Why does candy at movie theaters come in unusual sizes? If you sell snow shovels, should you raise prices after a snow storm? If you think that a toy is most appropriate for 5 and 6 year olds, should you market it as “ages 5 to 6” or “ages 3 to 8”? Does giving a free box of *Junior Mints* with every third video rental increase demand as much as giving one with every rental?

This course explores such questions. I will present research from cognitive and social psychology, decision theory, and public policy. The relevance of these concepts to marketing strategy will often be obvious. In other cases, we may debate either the validity of a study or the applicability of a concept to business practices. Class time is a perfectly legitimate forum for such debates, and skepticism is justified, because experimental results are often sensitive to subtle procedural or contextual details which may or may not obtain in the “real world.” Moreover, one goal of this course is to help you develop a facility for critically evaluating the experimental or anecdotal evidence that leads to particular conclusions or generalizations about consumer behavior. That said, I expect you to keep an open mind and endeavor to draw out potential implications for business practices, rather than merely raising *possible* objections to individual studies (e.g., “Sure, you showed it works for cars, but would it work for bananas?!”).

The purpose of this course is not only to make you better marketers, but to make you better consumers (and more rational people, generally). For example, I hope that you leave here realizing that a 90% chance of survival is the same as a 10% chance of death, that *Verizon’s* “timeless” plan is for suckers, and that driving 20 minutes to save \$5 on a \$10 item makes no more sense than driving 20 minutes to save \$5 on a \$300 item.

Due to SIP, we only have 10 classes, and one of these will be an in-class exam. Thus, we have only 9 lectures. Luckily I talk quickly, so we will be able to get through a lot of interesting concepts and still leave time for class discussion and maybe a couple of class demonstrations (of which I am particularly fond, given my interest and expertise in experimental psychology).

### Course Materials

Consumer Behavior: Buying, Having, and Being. Michael Solomon. 2004. Sixth Edition. (\*This is a standard consumer behavior textbook. It is principally intended as a reference. You are not responsible for anything in it.\*)

Influence: Science and Practice Robert Cialdini. 2001. 4<sup>th</sup> Edition (\*This is a fantastic book. The greatest hits of social psychology in one sitting. We will only refer to parts of it in class, but you should read it in its entirety.\*)

Why we Buy: The Science of Shopping. Paco Underhill. 1999. (\*A national bestseller, which emphasizes the importance of taking the consumer's perspective. We will only refer to parts of it in class, but you should read it in its entirety.\*)

Course Reader (\*These are all "classics" from the judgment and decision making literature. They are some of the most (and often literally the most) highly cited articles from top academic journals including *Marketing Science*, *Science*, *Econometrica* and *Organizational Behavior and Human Decision Processes*. Some of the readings are not assigned, and you are not responsible for knowing them. However, the unassigned readings typically overlap substantially with one or more of the assigned readings, and cover the same or similar concepts in slightly different ways.\*)

### Grading

Final Grades will be based on the following 3 components:

1)	Class Participation	30%	60 points
2)	Group Exercise	15%	30 points
3)	Final Exam	55%	110 points

TOTAL = 100%    200 points

### Class participation

Participation will be evaluated independently by both myself and the TA, and grades will be based on the average of our two evaluations (I anticipate a correlation of about 0.89). Your class participation grade will be based on our subjective evaluations of your attendance, alertness, cooperativeness, sense of humor, and the frequency and quality of your input to class discussion. You will not receive a good grade merely for showing up for every class, nor will you be punished severely if you happen to miss one.

### **Group exercise (in survey design and experimental psychology)**

Working in groups of 5, attempt to demonstrate the sensitivity of survey results to question wording. Propose two variants of the same question that are formally equivalent, but which you expect to yield different results (and, thus, different implications for marketers). Your grade (as experimental psychologists) will be jointly determined by the subtlety of the change (a *subjective* criterion to be evaluated by me and my colleagues) and the size of the effect (an *objective* criterion to be determined by running both of your proposed versions in class, using a between – subjects design). Ideally, you would show a very subtle change that yielded a gigantic effect. (For example, you might show that when respondents were asked “What is your favorite TV *show*?”, 80% said *Sex in the City* and 20% said *The Sopranos*, but when they were asked “What is your favorite TV *program*?”, 15% said *Sex in the City* and 85% said *The Sopranos*.)

Your group must hand in the two versions of your question by Monday, Sept. 27<sup>th</sup>. Ray and I will develop a survey that will be passed out on Sept. 29<sup>th</sup>, and we will briefly summarize the results on Monday Oct. 4<sup>th</sup>. (You are expected to coordinate groups on your own, and can begin working on this at any time. But most likely you will want to wait until after the Survey Design lecture on Sept. 22<sup>nd</sup>. Five days should be plenty of time for this short exercise.)

### **In class final**

There will be a cumulative, open-book test on the last day of class, Wednesday, October 13<sup>th</sup>. The test may consist of multiple choice questions, quantitative problems, short answers or longer essays.

### **Miscellaneous**

No laptops in class.

You are welcome to bring food & drinks to class if you eat quietly.

Please bring your nametags to class. I have 240 students this semester and have little prospect of learning all your names. Moreover, I’m partly colorblind, so even calling on people by their clothing can be challenging.

At my discretion, additional readings may be handed out in class, to supplement the readings in the course packet. (Also, you are ***strongly*** encouraged to bring in magazine or newspaper articles that seem relevant to something discussed in class. This is an efficient way to boost your class participation grade, should it need boosting.)

**Schedule, Fall 2004**  
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<b>Class</b>	<b>Day</b>	<b>Date</b>	<b>Topic</b>	<b>Readings</b>
1	Wed.	Sept. 8th	Framing	Gilovich (How we know what isn't so) Tversky & Kahneman (The Framing of Decisions and the Psychology of Choice)
2	Mon.	Sept. 13 <sup>th</sup>	Context Effects & Decision Heuristics	Frederick (Automated Choice Heuristics) Shafir, Simonson, & Tversky (Reason Based Choice) Simonson (Effect of Purchase Quantity and Timing on Variety Seeking Behavior)
3	Wed.	Sept. 15 <sup>th</sup>	Value Elicitation & Preference Representations	Slovic (The Construction of Preference) Hsee (Attribute Evaluability)
4	Mon.	Sept. 20 <sup>th</sup>	Utility Theory & Hedonics	Kahneman, Knetsch, & Thaler (Endowment Effect, Loss Aversion, & Status Quo Bias) Schelling (The mind as a consuming organ)
5	Wed.	Sept. 22 <sup>nd</sup>	Response Tendencies & Survey Design	Fischhoff (Value Elicitation)
6	Mon.	Sept. 27 <sup>th</sup>	Attitudes & Attitude Change	Solomon textbook (skim chaps 7&8) Influence Book
7	Wed.	Sept. 29 <sup>th</sup>	Advertising	Influence Book
8	Mon.	Oct. 4 <sup>th</sup>	Pricing	Kahneman, Knetsch, & Thaler (Fairness as a Constraint on Profit Seeking) Thaler (Toward a Positive Theory of Consumer Choice) Thaler (Mental Accounting Matters)
9	Wed.	Oct. 6 <sup>th</sup>	Social Marketing	Schelling (The Intimate Contest for Self Command)
****	Mon.	Oct. 11 <sup>th</sup>	***COLUMBUS DAY***	****None****
10	Wed.	Oct. 13 <sup>th</sup>	<u>FINAL EXAM</u>	Everything you haven't read