

Prof. Elena Reutskaja  
Prof. email: Ereutskaja@iese.edu  
Office: B-416  
Phone: 504162

Assistant: Alicia Seguí  
Assistant email: Asegui@iese.edu  
Office: B-400  
Phone: 506407

## **MRM - Behavioral Insights**

### **Introduction**

This seminar aims to introduce Ph.D. students to the research in behavioral decision-making, exciting interdisciplinary field that builds on research psychology, economics, marketing and related disciplines, and has wide range of applications in the real business world.

### **Objectives**

The purpose of this seminar is to provide PhD level coverage of the major research carried out in behavioral decision making. Specifically, the goals of the course are to:

1. Familiarize students with research on different topics in social psychology, economics, and marketing to better understand how individuals make decisions and how businesses can leverage on this knowledge and inform their strategies.
2. Give students a strong foundation for critical thinking in the area of behavioral decision making.
3. Enable students to conceptualize, develop, and operationalize research ideas.

### **Learning Outcomes**

By the end of the course, students would be able to:

- Know the basic concepts of behavioral decision making
- Structure approach to analysis of research papers
- Review papers critically
- Use behavioral concepts when conceptualizing, developing, and operationalizing research ideas

## Competences

- Understanding of basic concepts in behavioral decision making
- Development of critical thinking
- Conceptualization, development, and operationalization of research ideas

## Content

The course content is summarized in the course outline below.

## Overall Methodology

For each class, students will receive a number of articles from early “classics” to recent research papers. The objective for each class session will be to determine the main ideas and research questions driving work in a particular topic area, identify what we have learned to date and where the gaps are in our knowledge of that area, and develop ideas for new research in that area.

The outline of the course includes both required and optional reading assigned to each session. Each student is expected to actively read assigned required material, trying to understand the authors’ ideas and developing the habit of constructive criticism of the research. Optional readings is not compulsory to read but are useful if you would like to go more in-depth on the topic of the class. In addition, each paper will be briefly presented by one of you in class before we discuss it.

*Class discussion.* The discussion format will be the following. All of the required readings should be read carefully *by everyone* in the class. However, for each session we will have several students who will be considered the expert(s) of that topic and they will:

- a) present the topic to the class (about 15 minutes). The format of presentation is flexible, and
- b) lead the discussion of the topic in class (another 15 min). The class expert should prepare interesting questions on the topic to lead the discussion. Once the topic has been introduced, everybody will discuss it. Everybody is expected to read and prepare each required article. Therefore, the aim of the discussion is not *to summarize the findings*, but to access the paper critically. Therefore, it is important to focus the discussion around the following: Why do you think this paper was published, i.e. how does it contribute to the existing knowledge? What would you have done differently to test the hypotheses? Are there any confounds? Can you explain the results in a different way? What may be some specific future research directions?

In addition, every student is expected to prepare at least one interesting question about one or more of the readings assigned for that session (not regarding the technical details of the paper, but rather general information: research problem, methodology, possible confounds, etc.).

*Term paper.* Each student is required to write a short paper that examines a novel problem related to the topics discussed in class, and suggest a study or studies that could be conducted to test ideas and advance knowledge (maximum of 15 pages, including title page, bibliography, graphs, figures and all the additional materials; Times New Roman, 12pt, double interval). Papers are due on **MARCH 8<sup>th</sup>, before the presentations of the projects in the class.** The papers will also need to be presented in class during the last two sessions. Late papers will not be graded.

## Structure

Number of sessions: we will have 20 sessions of 1.15' each.

Term paper: each student is expected to write a research paper, to be presented in the last 2 sessions (15 page max, double space; Times New Roman 12; margins 1,5 cm on each side).

## Evaluation

Evaluation will be based on general participation in class (25%), participation as discussion leader (25%), and term paper 50%.

## Course Outline

| Session |   |
|---------|---|
| 1 -2    | <b>Prospect theory; Heuristics and Biases; Framing and Endowment effect</b>   |
|         | <p><u>Required reading</u><br/>Kahneman, Daniel, and Amos Tversky (1979). Prospect Theory: An Analysis of Decision under Risk. <i>Econometrica</i>, XLVII (1979), 263-29.</p> <p>Tversky, A., &amp; Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. <i>Science</i>, 185, 1124-1131</p> <p>Tversky, A., &amp; Kahneman, D. (1986). Rational choice and the framing of decisions. <i>Journal of Business</i>, 59(4), Part 2, S251-S278.</p> <p>Kahneman, D., Knetsch, J. L., &amp; Thaler, R. H. (1991). The endowment effect, loss aversion, and status quo bias. <i>Journal of Economic Perspectives</i>, 5 (1), 193-206.</p> <p><u>Optional reading</u><br/>Gigerenzer, G., &amp; Gaissmaier, W. (2011). Heuristic decision making. <i>Annual Review of Psychology</i>, 62, 451–482.</p> <p>Tversky, A., &amp; Kahneman, D. (1981). The framing of decisions and the psychology of choice. <i>Science</i>, 211, 453-458.</p> |
| 3       | <b>Construction of preferences</b>  |
|         | <p><u>Required reading</u><br/>Slovic, Paul. (1995). The construction of preference. <i>American Psychologist</i>. May Vol 50(5) 364-371.</p> <p>John Payne, James R. Bettman, and Eric J. Johnson. (1990). The Adaptive Decision Maker: Effort and Accuracy in Choice, in R. Hogarth, Ed., <i>Insights in Decision Making</i>, University of Chicago Press.129-153.</p> <p><u>Optional reading</u><br/>Prelec, Drazen, Birger Wernerfelt, and Florian Zettelmeyer (1997), The Role of</p>  |

|   |  |
|---|--|
|   | <p>Inference in Context Effects: Inferring what you want from what is available, <i>Journal of Consumer Research</i>, 24 (June).</p> <p>Moore, D. A., &amp; Healy, P. J. (2008). The trouble with overconfidence. <i>Psychological Review</i>, 115 (2), 502-517.</p>   |
| 4 | <p><b>The effect of information presentation</b></p> <p><u>Required reading</u><br/> Hsee, C. K., Loewenstein, G. F., Blount, S., &amp; Bazerman, M. H. (1999). Preference reversals between joint and separate evaluations of options: A review and theoretical analysis. <i>Psychological Bulletin</i>, 125(5), 576-590. <a href="http://dx.doi.org/10.1037/0033-2909.125.5.576">http://dx.doi.org/10.1037/0033-2909.125.5.576</a></p> <p>Valenzuela, Ana and Raghurir Priya (2009) "Position-based Beliefs: The Center-Stage Effect," <i>Journal of Consumer Psychology</i>, 19(2), 185-196.</p> <p>Valenzuela, Ana and Raghurir, Priya (2015) " Are Consumers aware of Top-Bottom but not of Left-Right Inferences? Implications for Shelf Space Positions" <i>Journal of Experimental Psychology: Applied</i>, 21(3), 224-241.</p> <p><u>Optional reading</u><br/> Atalay, A. S., Bodur, H. O., &amp; Rasolofoarison, D. (2012). Shining in the Center: CentralGaze Cascade Effect on Product Choice. <i>Journal of Consumer Research</i>, 39(4), 848-866.</p> <p>Hsee, Christopher K. and France Leclerc (1998). Will Products Look More Attractive When Presented Separately or Together? <i>Journal of Consumer Research</i>, 25 (September), 175-186.</p> |
| 5 | <p><b>Mental accounting</b></p> <p><u>Required reading</u><br/> Thaler, R. H. (1999). Mental accounting matters. <i>Journal of Behavioral Decision Making</i>, 12, 183-206.</p> <p>Camerer, C. F., Babcock, L., Loewenstein, G., &amp; Thaler, R. H. (1997). Labor supply of New York City cab drivers: One day at a time. <i>The Quarterly Journal of Economics</i>, 112 (2), 407-441.</p> <p>Raghurir, P &amp; Srivastava, J (2009) The Denomination Effect. <i>Journal of Consumer Research</i>, December, 701-713.</p> <p><u>Optional reading</u><br/> Thaler, R. H. (1985). Mental accounting and consumer choice. <i>Marketing Science</i>, 4(3), 199-214.</p> <p>Thaler, R. H., &amp; Johnson, E. J. (1990). Gambling with the house money and trying to break even: The effects of prior outcomes on risky choice. <i>Management Science</i>, 36(6), 643-660.</p>  |
| 6 | <p><b>The effects of time on decision-making</b></p> <p><u>Required reading</u><br/> Loewenstein, G., &amp; Thaler, R. H. (1989). Intertemporal choice. <i>Journal of Economic</i></p>   |

|      |  |
|------|--|
|      | <p><i>Perspectives</i>, 3 (4), 181-193.</p> <p>Frederick, S., Loewenstein, G., &amp; O'Donoghue, T. (2002). Time discounting and time preference: A critical review. <i>Journal of Economic Literature</i>, 40(2), 351-401.</p>  |
| 7    | <p><b>Information processing. Dual process theory</b></p> <p><u>Required reading</u><br/> Kahneman, D (2003). "A perspective on judgement and choice". <i>American Psychologist</i> 58: 697–720.</p> <p>Wilson, T. D., &amp; Schooler, J. W. (1991). Thinking too much: Introspection can reduce the quality of preferences and decisions. <i>Journal of Personality and Social Psychology</i>, 60 (2), 181-192.</p> <p>Dijksterhuis, A.; Nordgren, L.F. (2006). "A Theory of Unconscious Thought". <i>Perspectives on Psychological Science</i> 1: 95-109.</p> <p><u>Optional reading</u><br/> Dijksterhuis, A., Smith, P.K., van Baaren, R.B., &amp; Wigboldus, D.H.J. (2005). The unconscious consumer: Effects of environment on consumer behavior. <i>Journal of Consumer Psychology</i>, 15, 193—202.</p> <p>Shiv, Baba, Ziv Carmon and Dan Ariely (2005), Placebo Effects of Marketing Actions: Consumers May Get What They Pay For, <i>Journal of Marketing Research</i>. Vol. XLII (November), 383–393.</p> <p>Simonson, I. (2005). In Defense of Consciousness: The Role of Conscious and Unconscious Inputs in Consumer Choice. <i>Journal of Consumer Psychology</i>. 15, 211—217.</p> |
| 8    | <p><b>Intuition, Automaticity, and Unconscious behavior</b></p> <p><u>Required reading</u><br/> Hogarth, R. (2010) Intuition: A Challenge for Psychological Research on Decision Making. <i>Psychological Inquiry</i>, 21: 338–353, 2010</p> <p>Hogarth, R. M. (2005). Deciding analytically or trusting your intuition? The advantages and disadvantages of analytic and intuitive thought. In T. Betsch &amp; S. Haberstroh (eds.) <i>The routines of decision making</i> (pp. 67-82). Mahwah, NJ: Erlbaum.</p> <p>Bargh, John, (2002), Losing Consciousness: Automatic Influences on Consumer Judgment, Behavior, and Motivation. <i>Journal of Consumer Research</i>, 29(2), 280-285.</p>  |
| 9-10 | <p><b>Variety seeking and choice overload</b></p> <p><u>Required reading</u><br/> Iyengar, S. S., &amp; Lepper, M. R. (2000). When choice is demotivating: Can one desire too much of a good thing? <i>Journal of Personality and Social Psychology</i>, 79(6), 995-1006.</p> <p>Barry Schwartz. (2000). "Self-Determination: The Tyranny Of Freedom". <i>American Psychologist</i>. Volume 55, Issue 1. 79-88.</p>  |

|       |  |
|-------|--|
|       | <p>Reutskaja, Elena &amp; Hogarth, Robin M (2009) "Satisfaction in Choice as a Function of the number of Alternatives: When "Goods Satiates", <i>Psychology and Marketing</i>, 26, 197-203</p> <p>Shah, A. M., &amp; Wolford, G. (2007). Buying Behavior as a Function of Parametric Variation of Number of Choices. <i>Psychological Science</i>, 18(5), 369-370.</p> <p>Kahn, B. E., &amp; Wansink, B. (2004). The influence of assortment structure on perceived variety and consumption quantities. <i>Journal of Consumer Research</i>, 30(4), 519-533.</p> <p>Chernev, A. (2003), "When more is less and less is more: The role of ideal point availability and assortment in consumer choice," <i>Journal of Consumer Research</i>, 30 (2), 170-83.</p> <p>Chernev, Alexander, Ulf Böckenholt, and Joseph Goodman (2015), "Choice overload: A conceptual review and meta-analysis," <i>Journal of Consumer Psychology</i>, 25 (2), 333-58.</p> <p><u>Optional reading</u><br/>Dhar, R. P. (1997). Context and task effects on choice deferral. <i>Marketing Letters</i>, 8(1), 119-130.</p> <p>Botti, Simona and Sheena S. Iyengar (2006), "The dark side of choice: When choice impairs social welfare," <i>Journal of Public Policy &amp; Marketing</i>, 25 (1), 24-38.</p> |
| 11-12 | <b>Choice architecture and Nudges</b>  |
|       | <p><u>Required reading</u><br/>Choice Architecture by Thaler R.H., Sunstein C.R., Balz J.P. (12 pages) Ch. 25 in <i>The Behavioral Foundations of Public Policy</i>, Eldar Shafir, ed. (2012).</p> <p>Johnson, E. and Goldstein D. Do Defaults Save Lives? (2003). <i>Science</i>. Volume 302, 21 november, 1338-1339.</p> <p>Benartzi, S. &amp; Thaler, R. (2013) Behavioral Economics and the Retirement Savings Crisis. <i>Science</i>, Vol. 339, Issue 6124, pp. 1152-1153</p> <p>Bar-Hillel, M. (2015). Position Effects in Choice From Simultaneous Displays: A Conundrum Solved. <i>Perspectives on Psychological Science</i> (2015) 10 (4): 419-433</p> <p>Milkman, K. Chugh, D., Bazerman M.H. (2009), How Can Decision Making Be Improved? <i>Perspectives on Psychological Science</i>, 4 (4), 379 - 383.</p> <p>Benartzi, Shlomo, John Beshears, Katherine L. Milkman, Cass Sunstein, Richard H. Thaler, Maya Shankar, Will Tucker, William J. Congdon and Steven Galing, "Should Governments Invest More in Nudges?" <i>Psych Science</i> (2017)</p> <p><u>Optional reading</u><br/>Kim, L., Mazar, N., Zhao, M., Soman, D. (2013) A Practitioner's Guide to Nudging. Research Report Series, Rotman School of Management; Issue: March</p>                             |

|       |  |
|-------|--|
| 13-14 | <b>Emotions and well being</b>   |
|       | <p><u>Required reading</u><br/> P.Eckman An argument for basic emotions (1992) Cognition and emotion, Volume 6, Issue 3-4</p> <p>Christopher K. Hsee, Yang Yang, Naihe Li, Luxi Shen (2009) Wealth, Warmth, and Well-Being: Whether Happiness Is Relative or Absolute Depends on Whether It Is About Money, Acquisition, or Consumption. <i>Journal of Marketing Research</i>: June 2009, Vol. 46, No. 3, pp. 396-409.</p> <p>Kahneman, Deaton (2010) High income improves evaluation of life but not emotional well-being, <i>PNAS</i> vol. 107 no. 38</p> <p>2 papers TBA</p>  |
| 15-16 | <b>Ethicality and behavior: bounded ethicality</b>   |
|       | <p><u>Required reading</u><br/> Gneezy, A; Gneezy, U; Nelson, L; Brown, "A Shared Social Responsibility: A Field Experiment in Pay-What-You-Want Pricing and Charitable Giving", <i>Science</i>, 2010 Vol. 329, pp. 325-327</p> <p>Bazerman, Max, and Ovul Sezer. "Bounded Awareness: Implications for Ethical Decision Making." <i>Organizational Behavior and Human Decision Processes</i> 136 (September 2016): 95–106.</p> <p>Zhang, Ting, Pinar O. Fletcher, Francesca Gino, and Max H. Bazerman. "Reducing Bounded Ethicality: How to Help Individuals Notice and Avoid Unethical Behavior." Special Issue on Bad Behavior. <i>Organizational Dynamics</i>44, no. 4 (October–December 2015): 310–317.</p> <p>TBA</p>   |
| 17-18 | <b>New research methodology: eye-tracking, brain-imaging and emotion recognition ( 2 sessions here)</b>  |
|       | <p><u>Required reading</u><br/> M Wedel, R Pieters (2007) "Informativeness of Eye movements for visual marketing" Six cornerstones. <i>Visual Marketing: From Attention to Action</i> - Taylor &amp; Francis Group LLC.</p> <p>Camerer, C. F., Loewenstein, G., Prelec, D. (2004). Neuroeconomics: Why economics needs brains. <i>Scandinavian Journal of Economics</i>, 106(3), 555-579.</p> <p>Hilke Plassmann, Thomas Zoëga Ramsøy, Milica Milosavljevic (2012), "Branding the Brain – A Critical Review", <i>Journal of Consumer Psychology</i>, 22 (1), 18–36.</p> <p><u>Optional reading</u><br/> Michel Wedel and Rik Pieters. Chapter 5. (2008) A Review of Eye-Tracking Research in Marketing. <i>Review of Marketing Research. Volume 4</i>. Malhotra, Naresh K.</p> |

|       |  |
|-------|--|
|       | <p>Samuel M. McClure, Jian Li, Damon Tomlin, Kim S. Cypert, Latané M. Montague, and P. Read Montague (2004). Neural Correlates of Behavioral Preference for Culturally Familiar Drinks. <i>Neuron</i>, Volume 44, Number 2, October 14, pages 379–387.</p> <p>Carolyn Yoon, Richard Gonzalez, Antoine Bechara, Gregory S. Berns, Alain Dagher, Laurette Dube, Scott Huettel, Joe Kable, Israel Liberzon, Hilke Plassmann, Ale Smidts, Charles Spence (2012), “Decision Neuroscience and Consumer Decision Making”, <i>Marketing Letters</i>, 23, 473–485 .</p> <p>Teixeira, Thales S., Michel Wedel, and Rik Pieters. "Emotion-induced Engagement in Internet Video Ads" <i>Journal of Marketing Research (JMR)</i> 49, no. 2 (April 2012): 144–159.</p> |
| 19-20 | <b>Final projects presentations and discussions</b>  |

I recommend several books written on the topics related to our class for the general public:

- Hogarth, R. M. (2001). *Educating intuition*. Chicago: The University of Chicago Press. (Also published in Spanish as *Educar la intuición: El desarrollo del sexto sentido*. 2002, Barcelona: Paidós)
- Kahneman, D. (2011). *Thinking, Fast and Slow*. New York: Farrar, Strauss, Giroux.
- Thaler, R. H., & Sunstein, C. R. (2008). *Nudge: Improving Decisions on Health, Wealth, and Happiness*. New Haven, CT: Yale University Press.
- Iyengar, S. (2011). *The art of choosing*. New York: Twelve.



## Professor's Biography



**Prof. Elena Reutskaja**  
*Associate Professor of Marketing*

Ph.D. in Economics, Finance and Management, Universitat Pompeu Fabra  
MSc, Universitat Pompeu Fabra  
BA in Management, Syracuse University  
BA and MSc, Belorussian State Polytechnic Academy

### *Areas of interest*

- Choice architecture and nudging
- Patient choice
- Neuromarketing
- Choice Overload
- Group decision-making
- Cross-cultural Differences
- Biases in human behavior

Elena Reutskaja is Associate Professor in the Marketing Department at IESE Business School. While doing her Ph.D. at the Universitat Pompeu Fabra she was a visiting research scholar at the California Institute of Technology (USA). Prior to joining IESE Business School Elena taught various courses at the Universitat Pompeu Fabra and IES Barcelona. Elena was also involved in carrying out various marketing projects, both for the private and public sectors.

Elena's research interests lie at the intersection of consumer behavior, decision making and international marketing. Her primary research focus is on choice overload that people face in their daily lives and choice architecture that can guide people towards better decisions.

Prof. Reutskaja is actively involved in a number of international research projects run by leading institutions across the world. She was recently a visiting scholar at the California Institute of Technology, where she was engaged in brain-imaging and eye-tracking studies of the choice overload phenomenon.

Elena's other interests are hiking, travelling and sports. She was a member of the national fencing team of Belarus and many times a winner of foil fencing competitions.