



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 450 H1F

Marketing and Behavioural Economics

Fall 2014

Course Meets: L0101 Tuesdays 9-11 AM, WW 126 (Woodsworth College, 119 St. George)

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(For all course-related comments/requests, please use only this email!)

Course Scope and Mission

The field of behavioral economics couples scientific research on the psychology of decision making with economic theory to better understand what motivates economic agents, including consumers, investors, employees, and managers. In this course, we will examine topics such as the role of emotions in decision-making, “irrational” patterns of how people think about products, money, or investments, and how expectations shape perceptions. We will study not only individual decision making, but also its effects on markets at an aggregate level. This highly interdisciplinary course will be particularly relevant to students with interests in Marketing, Strategy, Behavioral Finance, Policy, and General Management. Topics covered will include: Rationality and choice, violations of rationality, choice complexity, intertemporal choice, emotional influences on choice, the role of behavioural economics in marketing, spending and savings behaviour, social welfare, decision engineering and choice architecture.

The goals of this course are threefolds – a) to study the basic principles of behavioural economics, b) To learn the application of the principles to various aspects of business and policy, and c) to think about a framework for designing interventions, products and programs that are behaviourally informed.

Course Prerequisite: Completion of 10.0 FCEs

Exclusion: RSM418H1 Integrative Thinking: Psychology and Markets

Required Readings

Readings for this course will be drawn from academic papers and web links that will be posted to the Blackboard and to the edX edge Archive.

The course is composed of a mixture of lectures, projects, academic paper reviews and some case discussions. The purpose of the lectures is to present and discuss theories, concepts, analytical techniques and empirical findings. We will discuss a few business cases. The goal of the case discussion is to apply the concepts to the context provided by the case and to make decisions based on both qualitative and quantitative analysis. In some classes, we will also supplement the lectures with exercises.

In parallel with this course, we offered an online version Behavioural Economics on the edX edge platform. I will require all of you to register for its edX edge version here: (https://edge.edx.org/courses/University_of_Toronto/BE101x/Behavioural_Economics_in_Action/about). This will allow you to access “**The Behavioural Economics Courseware Archive**” with videos and reading materials covering the key ideas at your convenience. On occasions, we will supplement classroom activity by encouraging you to access further material from the edX edge Archive. On other occasions, the edX edge Archive will serve as a required pre-reading or pre-viewing for a given class.

Questions about the Course

Please send an email to the course email with all questions. If you have content-related questions, I encourage you to ask them in class. Other students might have similar questions so it is worthwhile trying this first before emailing. In all correspondence, please sign your name and state which section you are in.

Course Administration Issues

Please bring your name tents to class so that I can evaluate your class participation. Announcements and updates, if any, will be posted to Blackboard. Therefore, make sure that you have access to Blackboard and that your email address is recorded correctly in Blackboard.

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has achieved command of the course materials.

<u>Work</u>		<u>Due Date</u>
Research Requirement	3%	
Mid Term Exam	40%	Oct 14, 2014
Class Participation	17%	Ongoing
Nudge Challenge	40%	Refer to the Weekly Schedule (Pg.6)

COURSE FORMAT AND EXPECTATIONS

1. Research Requirement (3%):

Marketing and Organizational Behavior researchers develop hypotheses and run experimental studies to test these hypotheses against actual behavior. The research requirement in this course is intended to supplement the material on marketing and organizational behavior by giving you more direct exposure to research in marketing and organizational behavior. Once you complete this research requirement, you will be given 3 points toward your grade in this course. In order that you might better understand the research process, you may fulfill this requirement by: (1) participation in three research studies; or (2) analysis of three articles that report research studies.

PARTICIPATION: To participate in a research study, sign-up for an account online at <http://rotman-credit.sona-systems.com>. When you request an account, make sure you fill out all of the information accurately, including selecting the correct course and section, to ensure that you receive credit. Once you have an account, you may read over the descriptions of research studies that are posted online. When you identify a study in which you would like to participate, you may view available timeslots for that study and sign-up online to participate. Participation in the actual research study will take between 45 and 60 minutes. You will be debriefed at the end of the study, and you will be asked to answer a question about some aspect of the study. Once you correctly answer the question you will be given credit for completing one study. You must complete three studies to fulfill your research participation requirement in this course. You should try to participate in the research studies earlier in the term; there is often a rush on research studies during the last weeks of class, and we cannot guarantee places to those who attempt to sign-up during the last week. The research participation requirement **MUST BE COMPLETED BY NOVEMBER 22ND, 2014.**

OR

ANALYSIS OF ARTICLE: To analyze an article, go to the Robarts library and find a copy of one of the approved journals. If you are in a marketing course, you may use the *Journal of Consumer Research*, the *Journal of Marketing*, or *Marketing Science*. If you are in an organizational behaviour course, you may use the *Academy of Management Journal*, the *Journal of Applied Psychology*, the *Journal of Organizational Behavior*, or *Personnel Psychology*. Look through the articles from the previous three years until you find one that interests you. Read the article. Write a summary of: 1) the objectives and hypotheses of the article; 2) the importance of the issues to the marketing or organizational behaviour community; 3) the research reported in the article, including the design of the study, the sample, and the materials (stimuli) used in the study, 4) the key results, 5) strengths and weaknesses of the study, and 6) the usefulness of the results to marketers or organizational behaviour practitioners. The analysis will be graded on a pass/fail basis. You will need to review three articles to complete your research requirement. Please contact Robert Latimer (robert.latimer@rotman.utoronto.ca) if you would like to analyze research articles to fulfill your research requirement. Hard copies should be left in the mailbox of Robert Latimer in the Rotman School. Write-ups submitted by fax or email will not be accepted. The *analysis of article* research requirement **MUST BE COMPLETED BY NOVEMBER 22ND, 2014**

2. Class Participation (17%):

You should attend every class and actively and constructively participate in class discussions. You are required to solve the assigned case discussion questions for each case prior to class and be prepared to discuss your solutions in class. Consider the questions for each case as a

problem set you are required to solve every week. Please see the Presentations and Case Discussion Questions document posted on Blackboard.

There are a few other ways of earning class contribution points:

- Write a blog, or comment on a blog. If you do this, please tweet a link to the blog using the hashtag #rsm450. Note that a blog or comment is only helpful for class contribution if we are able to identify your identity.
- Sometimes we will offer a chance for interested students to make short presentations to earn class participation points. E.g., you can choose one leading behavioural economist (Richard Thaler, Daniel Kahneman and Amos Tversky, Sendhil Mullainathan, Dan Ariely, George Loewenstein, Dean Karlan, [anyone else you would like to profile]) and prepare a short set of 3-4 minute remarks about that person (you'll need to do some very simple Google searching for this). Basically include:
 - Some biographical information (their training, where they work)
 - Career contributions: What is this person known for
 - A couple of landmark articles and books that this person wrote
- For some lectures we will advertise the opportunity to sign up for short presentations (not to exceed 4-5 mins) in which we'll ask you to summarize specific articles.

3. *Midterm Exam (40%)*

The midterm exam will be in-class and closed-book. The midterm will cover material from the first half of the course. The exam will be based not only on assigned readings (articles & edX edge Archive) but also on material discussed in class that may not be covered in the readings.

4. *Nudge Challenge (40%)*

One of the key ideas we will develop in this course is the idea of choice architecture – that one could design choice contexts that can nudge people into a preferred course of action. During the course, you will be presented with three nudge challenges and in teams of 4-5 students, you will have about 10 days to respond to each of the challenges. The nudge challenges will be posed by external “clients” drawn from the for-profit, policy and welfare and the not-for-profit world.

We will have nudge challenges from these three exciting clients:

- **Warby Parker** (<https://www.warbyparker.com/>)
- **Harry's** (<https://www.harrys.com/>)
- **The Ontario Power Authority** (<http://www.powerauthority.on.ca/>)

Each team will work on all three nudge challenges.

There will be two deliverables for each nudge challenge:

- a) A short report (a template will be made available)
- b) A 2-3 minute video or powerpoint presentation with a narration.

You will be assigned to a team, and the assignments will be posted to the Blackboard by the end of the first week of classes.

Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students and you are therefore reminded of the following expectations with respect to behaviour and contributions to your team project.

1. Read the document entitled, “Working in Teams: Guidelines for Rotman Commerce Students” which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team’s process of learning how to work together effectively and when handled well can generate creativity and bring-multiple perspectives to the solution.

Student teams are collectively expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). In cases where teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach** as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

** For an appointment with a Rotman Commerce Team Coach, please contact Nikoleta Vlamis at nikoleta@nikoletaandassociates.com or Elaine Zapotoczny at elaine@nikoletaandassociates.com. Nikoleta and Elaine are highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach’s role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Weekly Schedule

(tentative; Materials are posted on the Blackboard or edX edge)

Ses.	Date	Topic	Materials
1	Sep 9	Introduction	- edX edge Archive Week 1 - Loewenstein et al: Using Decision Errors to Help People Help Themselves
2	Sep 16	Basic Principles I (Context Dependent Preferences)	- edX edge Archive Week 2 - Soman: Option Overload
3	Sep 23	Basic Principles II (Self-Control)	- edX edge Archive Week 2 - Soman et al: Decision Points
4	Nov 30	Basic Principles III (Psychology of Money)	- edX edge Archive Week 2 - edX edge Archive Week 5.2 (The Nudgers Toolkit) - Ariely et al.: Tom Sawyer and the Construction of Value - Ebay-Nomics
5	Oct 7	Experiments	- edX edge Archive Week 3
6	Oct 14	Mid Term Exam (in class)	
7	Oct 21	Applying Behavioural Economics in Businesses I Nudge Challenge 1 Briefing	- edX edge Archive Week 4.1 - edX edge Archive Week 5 (excl. 5.2 The Nudgers Toolkit)
8	Oct 28	Applying Behavioural Economics in Businesses II	edX edge Archive Week 6.1
Nudge Challenge 1 Due: Sat Nov 1, Noon			
9	Nov 4	Nudge Challenge 2 Briefing Weapons of Influence	
10	Nov 11	Nudge Challenge 1 Feedback Illusions & Happiness	- Norton et al.: Labour Illusion - Soman et al: Virtual Progress
Nudge Challenge 2 Due: Sat Nov 15, Noon			
	Nov 18	November Break	
11	Nov 25	Nudge Challenge 3 Briefing Nudge Challenge 2 Feedback Intuition vs. Deliberation	- Milkman et al.: Intuition vs. Deliberation
12	Dec 2	Wrap Up Disclosure	- edX edge Archive Week 6.2 - Thaler, Tucker: Smarter Information, Smarter Consumers
Nudge Challenge 3 Due: Sat Dec 6, Noon			

POLICY AND PROCEDURE

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.

If a student is excusably absent from the midterm exam and has informed the Rotman Commerce office as per the paragraph above, a make-up mid-term exam will be offered to the student to be completed at a suitable date and time agreed by the instructor and pursuant to space availability.

Late Assignments

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments. Failing that would result in deductions.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: disability.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.

- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at www.portalinfo.utoronto.ca/students and review the Frequently Asked Questions.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

OTHER RESOURCES

Books

- 1) D. Ariely. Predictable Irrational: The Hidden Forces that Shape our Decisions, Harper.
- 2) R. B. Cialdini. Influence: The Psychology of Persuasion, Harper.
- 3) R. Thaler & C. Sunstein. Nudge: Improving Decisions about Health, Wealth, and Happiness, Penguin.
- 4) D. Kahneman & A. Tversky, Choices, Values and Frames, Cambridge University Press.
- 5) D. Kahneman, Thinking, Fast and Slow, Doubleday.
- 6) M. Gladwell, Blink, The Power of Thinking Without Thinking, New York, Little, Brown and Company.
- 7) J. Lehrer, How We Decide, Houghton Mifflin Harcourt.
- 8) B. Wansink, Mindless Eating: Why We Eat More Than We Think, Bantam.
- 9) S. Levitt & S. Dubner, Freakonomics, HarperCollins.
- 10) R. Hastie & R. Dawes, Rational Choice in an Uncertain World, Cambridge Univ. Press.
- 11) S. Plous, The Psychology of Judgment and Decision Making, McGraw-Hill.
- 12) M. Bazerman, Judgment in Managerial Decision Making, New York: John Wiley & Sons.
- 13) J. Russo & P. Schoemaker, Winning Decisions: Getting It Right the First Time, New York: Doubleday.
- 14) C. Heath & D. Heath. Decisive: How to make better choices in life and work, Crown Business.

Blogs

- 15) Nudge – <http://nudges.org/>
- 16) Freakonomics – <http://freakonomics.blogs.nytimes.com/>
- 17) Dan Ariely's Blog – <http://danariely.com>