



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

### **RSM450H1F**

Marketing and Behavioural Economics

Fall 2016

Section L0101 Meets: Fridays 9:00am-11:00am in room WW 119

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Instructors: Dr. Julian House and Dr. Meera Paleja. Rotman 5037

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Office Hours: Fri 11-12 Rotman 5037 or over the phone by appointment. Please e-mail instructor to set up an appointment.

TA: Luke Hong

Course E-Mail (**for all course-related comments/requests**): [rsm450.fall2016@gmail.com](mailto:rsm450.fall2016@gmail.com)

Webpage: <http://portal.utoronto.ca>

## 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, citizens, 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, and how expectations shape perceptions. Through the nudges challenges, we will apply our knowledge of behavioural economics to solve real-world problems. 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, inter-temporal choice, emotional influences on choice, the role of behavioural economics in marketing, spending and savings behaviour, social welfare, decision engineering, persuasion, and choice architecture. The goals of this course are threefold – a) to study the basic principles of behavioural economics, b) to apply the principles behavioural economics 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

The course is composed of a mixture of lectures, projects, business and academic readings and some case discussions. The purpose of the lectures is to present and discuss theories, concepts, analytical techniques and empirical findings. We may also 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.

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 (not the edX website)**.

## **IMPORTANT – PLEASE DO THIS BY END OF THE FIRST CLASS**

To access the edX edge material:

1. Sign up for an account on the edX edge website: <https://edge.edx.org/login>
2. Go to the following BE101x course link and register for the course:  
[edge.edx.org/courses/University\\_of\\_Toronto/BE101x/Behavioural\\_Economics\\_in\\_Action/about](https://edge.edx.org/courses/University_of_Toronto/BE101x/Behavioural_Economics_in_Action/about).  
This will allow you access to “**The Behavioural Economics Courseware Archive**” with videos and reading materials covering the key ideas. As per the weekly schedule, sections of the edX edge archive will serve as a required pre-reading or pre-viewing for a given class.

## Questions about the Course

Please send all of your course-related questions to the [course email](#). If you have content-related questions, we encourage you to ask them in class as other students might have similar questions so it is worthwhile trying this first before emailing. In all of your correspondence, please sign your name and state which section you are in.

## Course Administration Issues

Please bring your name tents to class so that we 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.

Research Requirement:	3%
Mid Term Exam (October 21, 2016):	40%
Class Participation :	15%
Nudge Challenges :	42%

## **COURSE FORMAT AND EXPECTATIONS**

### ***Research Requirement (3%)***

Marketing and Organizational Behaviour researchers develop hypotheses and run experimental studies to test these hypotheses against actual behaviour. The research requirement in this course is intended to supplement the material on marketing and organizational behaviour by giving you more direct exposure to research in marketing and organizational behaviour. 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 hours (credits) of research studies **or**
2. analysis of three articles that report research studies **or**
3. a combination of research studies and article analyses.

***Research Study Participation.*** To participate in a research study, sign up for the research participation website (<https://rotman-credit.sona-systems.com>) and read the descriptions of research studies that are posted there. Once you identify a study in which you would like to participate, choose a time slot in which to participate. Studies usually take place in the behavioural lab in the Rotman building, but some studies may run online or in another physical location. Participation in the actual research will take between 45 and 60 minutes for a 1 credit study or between 15 and 30 minutes for a 0.5 credit study. 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. You must complete three credits worth of studies to fulfill your research participation requirement in this course.

**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 the Behavioural lab manager, Robert Latimer (416-978-4196, [robert.latimer@rotman.utoronto.ca](mailto:robert.latimer@rotman.utoronto.ca), Rotman 547), if you would like to analyze research articles to fulfill your research requirement.

### ***Class Participation (15%)***

To earn participation marks, you should be ready to actively and constructively participate in class discussions.

You will also have the option to give a short presentation (~5-10 minutes) to earn class participation marks (you will receive between 1-5%, depending on the quality of your presentation). Visual aids (Powerpoint, handouts) are permitted but not required for full points.

Slots are limited and will be filled on a first-come, first-served basis. You may volunteer in class or by emailing the course email (if the latter, please wait for confirmation that you were the first to volunteer):

- **Profile a Behavioural Economist.** You can choose one behavioural economist (e.g. Richard Thaler, Daniel Kahneman, Amos Tversky, Sendhil Mullainathan, Dan Ariely, Nina Mazar, Dilip Soman, George Loewenstein, Dean Karlan, or anyone else you would like to profile) and prepare a short set of remarks about that person (you'll need to do some very simple Google searching for this). You can include:
  - Career contributions: What is this person known for, and what you believe to be their most significant contribution
  - Landmark articles and/or books that this person wrote
  - Basic biographical information as it relates to their work
- **Summarize a Reading.** During some weeks, you will have the opportunity to provide an overview of a specific reading from that week. In your presentation, you can include:
  - The research question or topic of the article
  - The methodology used in the study (if applicable): study design (field or laboratory, survey, experiment, observational), participants, analysis, and results
  - Implications of the paper for business and/or government
  - How this topic relates to your own experience(s). This can include examples from your school, work, or personal life.
  - How you might use this knowledge to improve your own decision making or the decision making of people you know.

### ***Midterm Exam (40%)***

The midterm exam will be in-class and closed-book and 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.

If the midterm date conflicts with another midterm you have, please let us know as soon as possible.

### ***Nudge Challenge (42%)***

One of the key ideas we develop in this course is the idea of choice architecture – that one can design choice contexts to nudge people into a preferred course of action. During the course, you will work on three nudge challenges in teams of 4-5 students. Teams will be assigned by us and you will have 10 days or more to respond to each of the challenges (see Weekly Schedule for due dates). A template guide for the nudge submissions will be made available prior to the start of the nudge challenges.

This year's nudge challenges are from:

1. The World Bank
2. Manulife Financial
3. Ontario Ministry of Health and Long-Term Care

### **For Group Work:**

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; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

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. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When 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 Nouman Ashraf at [nouman.ashraf@rotman.utoronto.ca](mailto:nouman.ashraf@rotman.utoronto.ca). Nouman is 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

(Materials are posted on the Blackboard or edX edge)

Session	Date	Topic	Materials
1	Sep 16	Introduction  Overview of Rationality	- edX edge Archive Week <b>1.2</b> (1.2.1 - 1.2.7) & <b>1.3</b> (1.3.1 – 1.3.5)
2	Sep 23	Basic Principles I (Prospect Theory, the Psychology of Money)	- edX edge Archive Week <b>2.1</b> (2.1.1 – 2.1.5), <b>2.4</b> (2.4.1 – 2.4.3)
3	Sep 30	Basic Principles II (Self-Control)	- edX edge Archive Week <b>2.3</b> (2.3.1 – 2.3.5) - edX edge Archive Week <b>1.4</b> (1.4.1 – 1.4.5) - Soman et al: Decision Points  Additional Materials (for reference): - edX edge Archive Week <b>2.5</b> (Glossary) and <b>5.2</b> (5.2.1 – 5.2.6; Nudger's Toolkit)
4	Oct 7	Basic Principles III (Context Dependent Preferences)	- edX edge Archive Week <b>2.2</b> (2.2.1 – 2.2.5) - Soman: Option Overload - Ariely et al.: Tom Sawyer and the Construction of Value
5	Oct 14	<b>Nudge Challenge 1 Briefing: World Bank</b>  Experiments	-edX edge Archive Week <b>3</b> (3.0.1 – 3.5.4) -edX edge Archive Week <b>4.1</b> (4.1.1 – 4.1.5)
<b>6</b>	<b>Oct 21</b>	<b>Mid Term Exam (in class)</b>	
7	Oct 28	Applying Behavioural Economics in Business I	- edX edge Archive Week <b>5</b> (5.0.1 – 5.3.9 excl. 5.2 The Nudger's Toolkit) - Bland: The Business of Behavioural Economics
<b>Nudge Challenge 1 Due: Mon. Oct. 31, Noon</b>			
8	Nov 4	Applying Behavioural Economics in Business II	- edX edge Archive Week <b>6.1</b> (6.1.1 – 6.1.3)  - Loewenstein et al: Using Decision Errors to Help People Help Themselves - Benartzi & Thaler: Behavioural Economics and the Retirement Savings Crisis
9	Nov 11	<b>Nudge Challenge 2 Briefing: Manulife Financial</b>  Tools of Influence	- Cialdini: The Science of Persuasion
10	Nov 18	Nudge Challenge 1 Feedback Illusions & Happiness	- Buell & Norton: Labour Illusion - Soman et al: Virtual Progress

Session	Date	Topic	Materials
<b>Nudge Challenge 2 Due: Mon. Nov. 21, Noon</b>			
11	Nov 25	<b>Nudge Challenge 3 Briefing: Ontario Tobacco Control Unit</b>  Intuition vs. Deliberation	- Milkman et al.: Intuition vs. Deliberation
12	Dec 2	Nudge Challenge 2 Feedback  Wrap Up  Disclosure	- edX edge Archive Week <b>6.2</b> (6.2.1 – 6.2.3)  - Thaler, Tucker: Smarter Information, Smarter Consumers - Sah: The Burden of Disclosure: What You Do Know Can Hurt You
<b>Nudge Challenge 3 Due: Mon. Dec. 6, Noon</b>			

## **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 request approval from the instructor for an extension at least one week before the due date. Extensions will be granted at the instructor's discretion. Supporting documentation will be required as per the policy on missed tests and assignments. Failing that would result in a 5% penalty per day for late assignments.

### **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: [accessibility.services@utoronto.ca](mailto:accessibility.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 <http://www.portalinfo.utoronto.ca/content/information-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. Soman. The Last Mile: Creating Social and Economic Value from Behavioral Insights, Rotman - UTP Publishing.
- 2) D. Ariely. Predictably Irrational: The Hidden Forces that Shape our Decisions, Harper.
- 3) S. Benartzi & J. Lehrer. The Smarter Screen: Surprising Ways to Influence and Improve Online Behaviour, Portfolio
- 4) R. B. Cialdini. Influence: The Psychology of Persuasion, Harper.
- 5) R. Thaler & C. Sunstein. Nudge: Improving Decisions about Health, Wealth, and Happiness, Penguin.
- 6) D. Kahneman & A. Tversky, Choices, Values and Frames, Cambridge University Press.
- 7) D. Kahneman, Thinking, Fast and Slow, Doubleday.
- 8) M. Gladwell, Blink, The Power of Thinking Without Thinking, New York, Little, Brown and Company.
- 9) J. Lehrer, How We Decide, Houghton Mifflin Harcourt.
- 10) B. Wansink, Mindless Eating: Why We Eat More Than We Think, Bantam.
- 11) S. Levitt & S. Dubner, Freakonomics, HarperCollins.
- 12) R. Hastie & R. Dawes, Rational Choice in an Uncertain World, Cambridge Univ. Press.
- 13) S. Plous, The Psychology of Judgment and Decision Making, McGraw-Hill.
- 14) M. Bazerman, Judgment in Managerial Decision Making, New York: John Wiley & Sons.
- 15) J. Russo & P. Schoemaker, Winning Decisions: Getting It Right the First Time, New York: Doubleday.
- 16) C. Heath & D. Heath. Decisive: How to make better choices in life and work, Crown Business.

### Blogs

- 17) Nudge – <http://nudges.org/>
- 18) Freakonomics – <http://freakonomics.com>
- 19) Dan Ariely's Blog – <http://danariely.com>
- 20) iNudgeYou - <http://inudgeyou.com>