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## **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 are 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>, 10 am. The projects should also be presented in class during the last two sessions (sessions 19-20).** 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	<p><b>Introduction to Judgement and Decision-Making. Rationality, and quality of decisions</b></p> <p><u>Required readings</u>            Gigerenzer, G.(2020) What is bounded rationality? in Routledge Handbook of Bounded Rationality, ed. R. Viale</p> <p>Hammond, J, Keeney, R., Raiffa, H. (1999) Making Smart Choices in Smart Choices: a practical guide to making better life decisions.</p>
2	<p><b>Loss Aversion and Prospect theory</b></p> <p><u>Required readings</u>            Kahneman, Daniel, and Amos Tversky (1979). Prospect Theory: An Analysis of Decision under Risk. <i>Econometrica</i>, XLVII (1979), 263-291.</p> <p>Ruggeri, K., Alí, S., Berge, M.L. <i>et al.</i> Replicating patterns of prospect theory for decision under risk. <i>Nature Human Behaviour</i> 4, 622–633 (2020).  <a href="https://doi.org/10.1038/s41562-020-0886-x">https://doi.org/10.1038/s41562-020-0886-x</a></p>
3-5	<p><b>Heuristics and Biases; Framing and Endowment effect</b></p> <p><u>Required readings</u>            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. (1981). The framing of decisions and the psychology of choice. <i>Science</i>, 2118(4481), 453-458</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>Gigerenzer, G., &amp; Gaissmaier, W. (2011). Heuristic decision making. <i>Annual Review of Psychology</i>, 62, 451–482.</p> <p><u>Optional reading</u>            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>
6	<p><b>Construction of preferences</b></p> <p><u>Required reading</u>            Slovic, Paul. (1995).The construction of preference. <i>American Psychologist</i>. May Vol 50(5) 364-371.</p> <p>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</p>

	<p>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>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></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>Prelec, Drazen, Birger Wernerfelt, and Florian Zettelmeyer (1997), The Role of 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>
7.	<p><b>Mental accounting</b></p>
	<p><u>Required reading</u></p> <p>Thaler, R. H. (1999). Mental accounting matters. <i>Journal of Behavioral Decision Making</i>, 12, 183-206.</p> <p>Thaler, R. H. (1985). Mental accounting and consumer choice. <i>Marketing Science</i>, 4(3), 199-214.</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></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>
8.	<p><b>Information processing. Dual process theory</b></p>
	<p><u>Required reading</u></p> <p>Kahneman, D (2003). A perspective on judgement and choice. <i>American Psychologist</i> 58: 697–720.</p> <p>Loewenstein, G. F., Weber, E. U., Hsee, C. K., &amp; Welch, N. (2001). Risk as feelings. <i>Psychological Bulletin</i>, 127(2), 267–286. <a href="https://doi.org/10.1037/0033-2909.127.2.267">https://doi.org/10.1037/0033-2909.127.2.267</a></p> <p><u>Optional reading</u></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>,</p>

	<p>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>Forster, H; Bottesini, J; Reeck, C; Weber, E( 2021) Assessing how we decide: Psychometric development of a decision modes scale</p> <p>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>
9.	<p><b>Interactions with devices and AI. Guest.</b></p> <p>Hadi, R &amp; Valenzuela A (2020) Good Vibrations: Consumer Responses to Technology-Mediated Haptic Feedback, <i>Journal of Consumer</i> , 47 (2), 256-271</p> <p>Hennig-Thurau, Thorsten &amp; Aliman, Dorothea &amp; Herting, Alina &amp; Cziehso, Gerrit &amp; Linder, Marc &amp; Kübler, Raoul. (2022). Social interactions in the metaverse: Framework, initial evidence, and research roadmap. <i>Journal of the Academy of Marketing Science</i>. 10.1007/s11747-022-00908-0.</p> <p>Melumad, Shiri &amp; Hadi, Rhonda &amp; Hildebrand, Christian &amp; Ward, Adrian. (2020). Technology-Augmented Choice: How Digital Innovations Are Transforming Consumer Decision Processes. <i>Customer Needs and Solutions</i>. 7. 10.1007/s40547-020-00107-4.</p>
10.	<p><b>Intuition and choosing based on lessons from experience</b></p> <p><u>Required reading</u>  Hogarth, R. M., Lejarraga, T., &amp; Soyer, E. (2015). The Two Settings of Kind and Wicked Learning Environments. <i>Current Directions in Psychological Science</i>, 24(5), 379–385. <a href="https://doi.org/10.1177/0963721415591878">https://doi.org/10.1177/0963721415591878</a></p> <p>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><u>Optional:</u>  Bargh, John, (2002), Losing Consciousness: Automatic Influences on Consumer Judgment, Behavior, and Motivation. <i>Journal of Consumer Research</i>, 29(2), 280-285.</p>
11	<p><b>The role of Freedom in psychology. Guest</b></p> <p><u>Required reading</u></p>

	<p>Botti, S., Iyengar, S. S., &amp; McGill, A. L. (2022). Choice freedom. <i>Journal of Consumer Psychology</i>.</p> <p>Barry Schwartz. (2000). "Self-Determination: The Tyranny Of Freedom". <i>American Psychologist</i>. Volume 55, Issue 1. 79-88.</p>
12	<p><b>Choice, Choice Overload and Choice Deprivation</b></p>
	<p><u>Required reading</u></p> <p>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>Reutskaja, Elena &amp; Hogarth, Robin M (2009) "Satisfaction in Choice as a Function of the number of Alternatives: When "Goods Siate", <i>Psychology and Marketing</i>, 26, 197–203</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>Reutskaja, E., Cheek, N. N., Iyengar, S., &amp; Schwartz, B. (2022). Choice Deprivation, Choice Overload, and Satisfaction with Choices Across Six Nations. <i>Journal of International Marketing</i>, 30(3), 18–34. <a href="https://doi.org/10.1177/1069031X211073821">https://doi.org/10.1177/1069031X211073821</a></p> <p><u>Optional reading</u></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>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> <p>Broniarczyk, Susan &amp; Hoyer, Wayne. (2010). Retail Assortment: More ≠ Better. 10.1007/978-3-540-72003-4_17.</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>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>Reutskaja, E; Iyengar, S; Fasolo, B; &amp; Misuraca, R. (2020). Cognitive and affective consequences of information and choice overload. In Viale, Riccardo (Eds.), <i>Routledge Handbook of Bounded Rationality</i>. Routledge.</p> <p>Misuraca, R; Reutskaja, E; Fasolo, B; &amp; Iyengar, S. (2020). How much choice is “good enough”? Moderators of information and choice overload. In Viale, Riccardo (Eds.), <i>Routledge Handbook of Bounded Rationality</i>. Routledge.</p>
13-14	<p><b>Behavioral Science and Reproducibility ( Guest Professor: Isabelle Engeler)</b></p>
	<p><u>Required:</u>  Gray, K., &amp; Wegner, D. M. (2013). Six guidelines for interesting research. <i>Perspectives on Psychological Science</i>, 8(5), 549-553. <a href="#">Paper</a>.</p> <p>Nelson, L. D., Simmons, J., &amp; Simonsohn, U. (2018). Psychology’s renaissance. <i>Annual Review of Psychology</i>, 69, 511-534. <a href="#">Paper</a>.</p> <p>Nosek, B. A., Spies, J. R., &amp; Motyl, M. (2012). Scientific utopia II: Restructuring incentives and practices to promote truth over publishability. <i>Perspectives on Psychological Science</i>, 7(6), 615–631. <a href="#">Paper</a>.</p> <p>Larkin, M. (2015). How to give a dynamic scientific presentation. <a href="#">Link</a>.</p>
15-16	<p><b>Self-Other Effects, Self-Enhancement, and Forecasting errors ( Guest Professor : Isabelle Engeler)</b></p>
	<p><u>Required:</u>  Epley, N., &amp; Dunning, D. (2000). Feeling “holier than thou”: Are self-serving assessments produced by errors in self- or social prediction? <i>Journal of Personality and Social Psychology</i>, 79(6), 861-875. <a href="#">Paper</a>.</p> <p>Logg, J. M., Haran, U., &amp; Moore, D. A. (2018). Is overconfidence a motivated bias? Experimental evidence. <i>Journal of Experimental Psychology: General</i>, 147(10), 1445–1465. <a href="#">Paper</a>.</p> <p>Engeler, I., &amp; Häubl, G. (2021). Miscalibration in Predicting One’s Performance: Disentangling Misplacement and Misestimation. <i>Journal of Personality and Social Psychology</i>, 120(4), 940-955. <a href="#">Paper</a>.</p> <p>Kardas, M., &amp; O’Brien, E. (2018). Easier seen than done: Merely watching others perform can foster an illusion of skill acquisition. <i>Psychological Science</i>. <a href="#">Paper</a>.</p> <p>Engeler, I., &amp; Barasz, K. (2021). From Mix-and-Match to Head-to-Toe: How Brand Combinations Affect Observer Trust. <i>Journal of Consumer Research</i>, 48(4), 562-585. <a href="#">Paper</a>.</p> <p><u>Optional:</u>  Kardas, M., &amp; O’Brien, E. (2018). Easier seen than done: Merely watching others perform can foster an illusion of skill acquisition. <i>Psychological Science</i>. <a href="#">Paper</a>.</p>



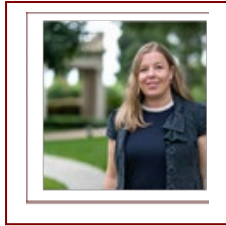
17-18	<b>Choice architecture, Nudging and Boosting</b>
	<p><u>Required reading</u></p> <p>Thaler R.H., Sunstein C.R., Balz J.P., Choice Architecture, Ch. 25 in <i>The Behavioral Foundations of Public Policy</i>, Eldar Shafir ed. (2012).</p> <p>Johnson, E. and Goldstein D. Do Defaults Save Lives? (2003). <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>Milkman, K. L., Gandhi, L., Patel, M. S., Graci, H. N., Gromet, D. M., Ho, H., ... &amp; Duckworth, A. L. (2022). A 680,000-person megastudy of nudges to encourage vaccination in pharmacies. <i>Proceedings of the National Academy of Sciences</i>, 119(6), 1-6.</p> <p>Hertwig, R., &amp; Grüne-Yanoff, T. (2017). Nudging and boosting: Steering or empowering good decisions. <i>Perspectives on Psychological Science</i>, 12, 973-986.</p> <p><u>Optional reading</u></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>Psychological Science</i> (2017)</p> <p>Kim,L., Mazar,N, Zhao,M, Soman, D. (2013) A Practitioner's Guide to Nudging. <i>Research Report Series</i>, Rotman School of Management; Issue: March</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>Hertwig, R. (2017). When to consider boosting: Some rules for policy-makers. <i>Behavioural Public Policy</i>, 1, 143-161.</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.
- Soyer, E.; Hogarth, R. (2020). *The Myth of Experience: Why We Learn the Wrong Lessons, and Ways to Correct Them*. PublicAffairs
- Viale, R. (2020) *Routledge Handbook of Bounded Rationality*. Routledge.

- Johnson, E (2021) *The Elements of Choice: Why the Way We Decide Matters*. Simon and Schuster.
- Milkman, K. (2021) *How to Change: The Science of Getting from Where You Are to Where You Want to Be*. Portfolio.
- Mazar, N, & Soman D. (2022) *Behavioral Science in the Wild (Behaviorally Informed Organizations)*. University of Toronto Press

## 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 uses different research methods ranging from traditional experiments and surveys to biological methods including brain-imaging, emotion-recognition and eye-tracking.

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.