C70.0276.60

BEHAVIORAL ECONOMICS AND THE SCIENCE OF DECISION MAKING

Summer 2016

New York University – Stern School of Business

Meeting times: Tuesday & Thursday, 1:00pm - 4:10pm,
Room: Tisch UC-19

Adam Alter
Tisch 8-11
(212) 998 0142
aalter@stern.nyu.edu

Tom Meyvis
Tisch 9-06
(212) 998 0529
tmeyvis@stern.nyu.edu

Course Goals

How do consumers decide whether a new iPad is worth $500? How does a jury decide how much to award a plaintiff when she spills boiling hot coffee on her lap? How does a manager decide which job candidate to hire and which project to invest in? This course draws on Nobel Prize-winning research to examine how people make decisions, how they form judgments of products, people, and ideas, and why they think, feel, and behave the way they do.

Successful managerial and marketing strategies depend on a thorough understanding of how people make decisions. However, traditional models of decision making, especially so-called rational models, have serious limitations. Rather than making decisions as these models suggest, people often use a variety of rules and processes that lead to sometimes counter-intuitive, but often predictable decisions. The premise of the course is that our ability to understand and predict these strange foibles in decision-making has powerful implications for business.

The course gives students an overview of important results from behavioral science (e.g., social and cognitive psychology, behavioral economics, consumer research) that clarify how people really make   decisions. We then show how these results can be leveraged to predict consumers' responses, anticipate managerial biases, and, ultimately, design more effective managerial and marketing strategies. Knowledge of these issues can be a significant source of competitive advantage, as they are unknown to most managers and often both impactful and counter-intuitive.

Course Resources

Required Case Packet
(available through NYU Classes and the NYU Bookstore)

1. Mediquip S.A. (IMD - 5-0395)
2. BMW Films (HBS 9-502-046)
3. Sony AIBO: The World's First Entertainment Robot (HBS 9-502-010)
4. Nanda Home: Preparing for Life after Clocky (9-511-134)
5. Renova Toilet Paper: Avant-Garde Marketing in a Commoditized Category (INSEAD 07/2010-5685)

Required Reading List

A list of links to required readings will be posted on the NYU Classes course website.

Other Articles & Exercises

Additional exercises, journal articles, and recent news from the popular business press will be provided throughout the course, and posted on the course website.

Course Website

https://newclasses.nyu.edu
This website has many useful things on it, including continuously updated information on cases, readings, course schedule, etc. Please check regularly.

Class Notes

The PowerPoint slides for each class will be available for downloading from the website and will also be handed out at the start of class. Of course, you will still need to take additional notes to fully capture the material discussed in class.

Additional Literature

A special section on the class website will list optional additional readings as well as useful links to resources for the team project.

Student Evaluation

Your evaluation will be based on one final exam, 6 case study preparations, a group project, and your class participation:

Final Exam:	50%
Class Participation:	25%
Case Preparations:	25%

Final Exam   50%

The final exam will be based on the lectures, class discussions, assigned readings, and case assignments. The exam will primarily consist of short essay questions.

Class Participation   25%

Everyone is expected to attend all classes. Of course, your class participation grade does not just depend on your mere presence. The quantity and quality of your contributions to class discussions matter as well.

Case Preparations   25%

You will be asked to prepare 5 cases for class discussion. To make sure that you have read and thought about the cases in advance, everyone has to upload a 1-2 page preparation sheet on NYU Classes at least an hour before class begins. Each case prep will contribute 5% towards your final grade. If you turn in the assignment after the deadline has passed but before class begins, your response will be given a maximum score of 3%. If you turn in the assignment after class has begun, you will receive zero.

Class Policy

- <u>Be prepared</u>: Make sure that you have carefully read the assigned cases and articles.

- <u>Be there</u>: We expect everyone to attend all classes.

- <u>Arrive on time</u>: Late-comers disturb the class. This will negatively affect your class participation grade.

- <u>Be honest</u>: Cheating and plagiarism will result in a grade of "F" for all parties involved. All students are expected to follow the *Stern Code of Conduct*: http://www.stern.nyu.edu/portal-partners/student-engagement/navigating-the-essentials/code-conduct/

- Cell phones, laptops, and tablets are a disturbance to your fellow students as well as the instructor. They must be turned **off** prior to the start of class.

Schedule

Class	Date	Professor	Topic	Reading
1	7/5	Meyvis	Intro/ Behavioral Research	
2	7/7	Meyvis	How to Study People	Take IAT
3	7/12	Meyvis	Reference Points	
4	7/14	Meyvis	The Consumer Experience	Renova Case
5	7/19	Meyvis	New Product Development	Nanda Home Case
6	7/21	Meyvis	Viral Effects and Word-of-Mouth	Sony AIBO Case
7	7/26	Alter	Contextual Cues	Drunk Tank Pink
8	7/28	Alter	Heuristics & Biases	Connecting the Dots How Doctors Think
9	8/2	Alter	Nudges & Choice Architecture	Nudge When Doctors Make Mistakes
10	8/4	Alter	Statistical Reasoning	BMW Films case
11	8/9	Alter	Norms & Social Influence	Mediquip case
12	8/11	Both	Exam	