

Marshall
School of Business

Deciding to be a BDT Guy

by
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“Nothing is more difficult, and therefore more precious, than to be able to decide.”

Napolean Bonaparte
(Maxims 1804)

What BDT Means to Me

- Who invented BDT?

Edwards, Ward (1961), “Behavioral Decision Theory,” *Annual Review of Psychology*, 12, p. 473-498.

- Based on the mathematical and economic literature on risky and riskless choice, utility and game theory
- Herbert Simon and bounded rationality (1959)
- Kahneman & Tversky - heuristics and biases
- By 1975 accounting, philosophy, medicine, education, political science, marketing and management science

Slovic, Paul, Fischhoff, Baruch & Lichtenstein Sarah (1977) “Behavioral Decision Theory,” *Annual Review of Psychology*, 28, 1-39.

Why Me?

- The University of Chicago Center for Decision Research
- Steve Hoch as advisor
- A Cognitive Model of People's Usage Estimations
- Interesting Phenomenon, post hoc explanation
- Choice versus Attitude measures
- Anchoring, Framing, Hedonic Utility
- BDT's success in the marketing journals as of late

Hedonic Utility

Kahneman 1994

Kahnman, Wakker & Sarin 1997

Kahneman & Snell 1990

Kahnman 1994

Schkade & Kahneman 1998

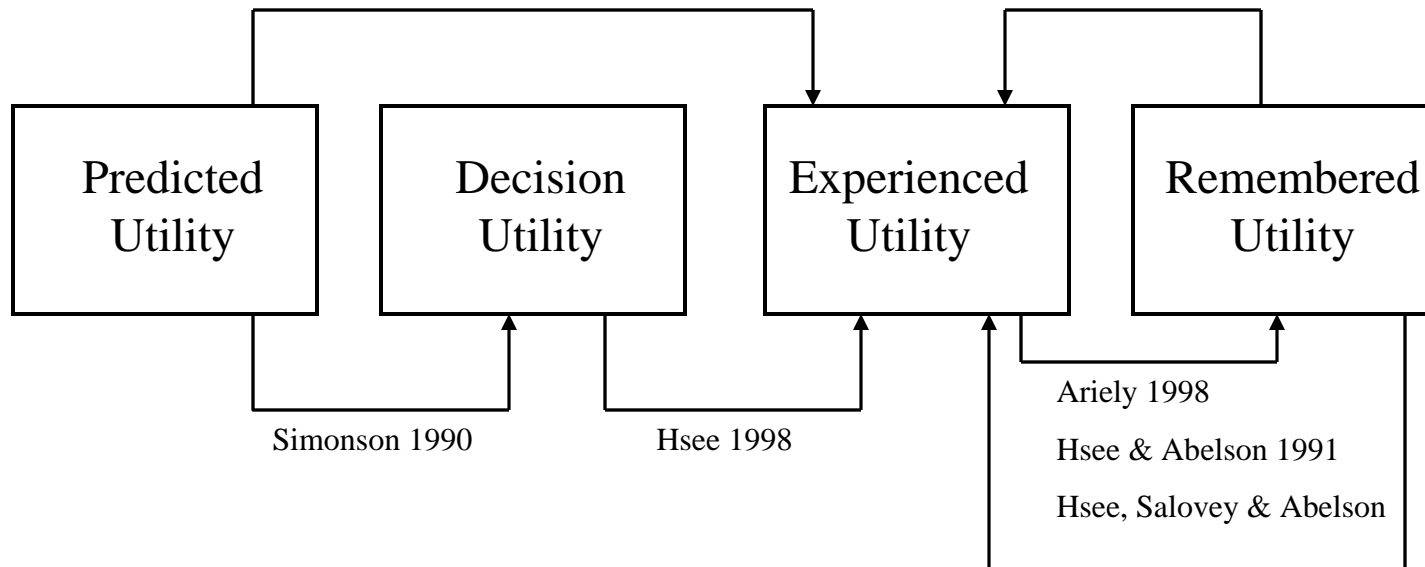
Gilbert & Ebert 2002

Kahneman, Frederickson, Schreiber & Redelemeier 1993

Frederickson & Kahneman 1993

Redelemeier & Kahneman 1996

Varey & Kahneman 1992



Simonson 1990

Hsee 1998

Ariely 1998

Hsee & Abelson 1991

Hsee, Salovey & Abelson

Ratner, Kahn & Kahneman 1999

Kahn, Ratner & Kahneman 1997

Carmon & Kahneman 1996

Chapman 2000, Ariely & Zauberman 2000

Time



Some Interesting Questions

- Do people spontaneously make predictions?
- Are predictions based on experience (memories of experiences)?
- Do we remember how much we thought we'd like something as much as we remembered whether we did or did not (hindsight bias for hedonic outcomes)?
- How accurately do we remember what we like?

Foray into Hedonic Utility

MEMORIES FOR HEDONIC EXPERIENCES

- Previous research had manipulated experience to show future choice not in line with experience
- Set out to study the interplay between memories of experiences and attitudes towards categories
- Focus on experiences that differ from ex ante category beliefs (discrepant experiences more memorable)
- Do people recall that they liked or disliked something with any accuracy?



Marketing Application

Great Steaks, Seafood and Salads



- In 2003, Sizzler (Sherman Oaks, CA) was working towards changing brand reputation
- Try-It Guy & St. Louis Style Ribs
- Try em! If you don't like them, money back *and* next meal is free
- Money-back guarantees functional good vs. subjective experiences



Our Predictions

- Memories for “liking” will be weaker than memories for other attributes of an experience
- Over time, recall of individual experience blurred into category evaluation
- Category appraisals (good & bad) withstand change, even in face of discrepant experiences
- Real-time evaluations can improve recall and updating of category appraisals (Novemsky & Ratner 2003)

When Experience Does not Matter: On the non-impact of Real-time Hedonic Experiences

Study 3

Respondents:	163 undergrads at USC run in groups of 20-25
Premise:	Local company, new brand of fat free cheese
Manipulation:	Hedonic experience, Physical traits, Control
DVs:	Immediate ratings, 3-day retrospective ratings, 10-day retrospective ratings
Data:	143 participants with both immediate and retrospective ratings

Results

Category Evaluation

Immediate

Everyone

Pre-trial 4.75

Post-trial 5.27

($p < .05$)

Immediate

Liking

4.74

5.55

($p < .05$)

Control

4.52

4.74

(ns)

Texture

4.86

5.23

(ns)

Experience Evaluation

Immediate

Liking

Pre-category 4.74

Post-experience 6.33

($p < .01$)

Recalled

Liking

Pre- 4.74

Delay 5.55

($p < .05$)

Control

4.52

4.63

(ns)

Texture

4.86

4.77

(ns)

Conclusions

- Recall for enjoyment apt to be less accurate than recall for less subjective qualities
- Recall can be influenced by broader evaluations of the category
- Encouraging real-time evaluations improves recall for hedonic aspects of experience
- Real-time evaluations also aid in updating of category beliefs

Future Research

- When and why are memories for hedonic evaluations weaker?
- Episodic versus Semantic memory
- Memories for internal states
- Link between predictions (expectations) and category beliefs