Roundtable Session: Compliments, Critiques, and Consumption: the Effects of Word-Of-Mouth Valence and Social Ties on Peer Advice in Socially-Embedded Settings. (Open to All)

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The importance of social networks has been underscored in the Marketing literature. Nevertheless, the impact of the feedback source (strength and nature of the relationship), and the content of the message (valence) are not yet fully understood. This roundtable will deepen our understanding of advice acceptance and sharing in socially-embedded consumer settings.

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Compliments, Critiques, and Consumption: The Effects of Word-of-Mouth Valence and Social Ties on Peer Advice in Socially-Embedded Settings

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Extended Abstract

The concepts of rationality and utility are irrevocably intertwined, since rationality is generally defined and conceived as utility maximizing behavior (e.g., Edwards 1954). Thus, to understand what rationality means, it is important to understand what utility means.

From a classical economist’s perspective, utility can be taken to mean whatever it is that an individual (or a group) wishes to maximize. In this view, even the so-called “dark” consumption behaviors—such as addiction to drugs or alcohol (Solomon 1980), the inability to save sufficient money for the future (Thaler and Shefrin 1992), or the inability to prevent oneself from compulsive shopping (Rook 1987)—can be conceived as rational. As such, many scholars interested in examining these types of (dark) behaviors have been careful to avoid characterizing these types of behaviors as irrational, and prefer, instead, to use less loaded terms such as, time-inconsistent preferences, or myopia to refer to them (e.g., Hoch and Loewenstein 1991).

If utility can mean anything and everything, however, the concept of rationality is rendered meaningless, since any judgment or decision could be considered rational. To circumvent this conceptual impasse, one yardstick that has often been applied is whether the judgment/decision in question conforms to logic (Kahneman 1994); in this view, people are rational if their “beliefs, judgments, choices and actions respect certain standards of logic” (Pham 2007, p. 156). For instance, judgments or decisions that do not satisfy transitivity (Birnbaum 2008) or do not sufficiently account for base-rates (Bar Hillel 1980) would be considered irrational. But is conformance to norms of logic alone enough? Some scholars appear to think so; for instance, Sharif and Leboeuf (2002, p. 492) note that “the predominant theories of rationality are predicated on notions of consistency”; thus, in the eyes of these scholars, even behaviors that would be considered patently irrational by lay-people (e.g., addiction to drugs or extreme impulsivity) could be construed as rational so long as these behaviors are, in some logically justifiable way, consistent and coherent.

Other scholars, however, have taken a different stance: by implicitly equating utility to subjective well-being or happiness, they appear amenable to characterizing judgments/decisions that diminish emotional positivity—even if they are logically justifiable—as sub-rational (e.g., Thaler and Sunstein 2008). This perspective, of equating utility to emotional well-being, also appears to be echoed in the work of some other scholars (e.g., Hsee et al. 2003; Wilson and Schooler 1991), in as much as they portray the more (vs. less) enjoyable options as being superior, even though the choice of other options may be logically defendable.

A third perspective on rationality adopts a societal-level lens through which judgments and decisions are evaluated; in this view, judgments/decisions that maximize societal (vs. individual) well-being are rational. This, so-called, “ecological” perspective of rationality (e.g., Miller 2009; Haidt 2001, 2007) would characterize judgments/decisions that serve the higher-purpose of enhancing the utility of the society or group to which the decision-maker belongs as rational, even if these judgments/decisions come at a cost to the decision-maker himself.

One framework that could prove useful in clarifying the pros and cons of subscribing to a particular definition of utility (and, therefore, rationality), is that offered by Kahneman and his colleagues (e.g., Kahneman, Wakker and Sarin 1997). These researchers distinguish between two types of utilities—decision and experienced utility—where decision-utility refers to the “wantability” of options whereas experienced utility refers to the amount of pleasure (minus pain) provided by them. Thus, an option that provides higher levels of pleasure (minus pain) would be the rational choice from the perspective of an individual aiming to maximize experienced utility, and yet be sub-rational from the perspective of someone interested in concerns other than just enjoyment. For example, some people may attach great importance to making choices that appear (to oneself or to others) as justifiable (e.g., Simonson 1989), and to such people, the hedonic superiority of an option may not guarantee its choice.

The primary objective of this session is to provide clarity on the various ways in which rationality and utility have been conceptualized and to shed light on the subtle (and not-so-subtle) ways in which these conceptualizations differ. As a result of such clarity, we expect the audience to be able to judge for themselves the pros and cons of adopting different perspectives of utility and rationality. Time permitting, the panelists in the session may also discuss other related questions, including the following: (1) What is the role of consciousness in making rational judgments or decisions, that is, could a decision be rational if it were made sub-consciously (a la Dijksterhuis 2004)? Or is it necessary for the decision-agent to have been conscious of the process underlying the calculation of utilities? (2) What is the role of stability of preferences, and to what extent is the assumption of stability of preferences valid (Ariely, Loewenstein and Prelec 2003)?, and (3) When are preferences constructed and when do they appear to be based on inherent tastes (Simonson 2008)?

The session is expected to have broad appeal, since assessing the quality of a judgment or decision (whether one refers to such assessments by the use of the term rationality) is central to all of consumer research.