



FRIEDRICH-ALEXANDER
UNIVERSITÄT
ERLANGEN-NÜRNBERG
SCHOOL OF BUSINESS
AND ECONOMICS

CHAIR OF ECONOMICS AND
ECONOMIC THEORY
Prof. Dr. Veronika Grimm

Seminar on behavioral economics: Consumer Behaviour

There's no question that our everyday consumption decisions, from mundane grocery shopping to major investments, are not only vital to our individual lives but also form the basis of our economy's functioning. Yet, are these decisions purely rational, as classical economic theory suggests? Or are there cognitive biases and social influences that systematically sway our consumption patterns? In the winter term 2023/24 the chair of Economic Theory of Prof. Dr. Grimm offers a behavioral economics seminar that explore these questions and examine how even subtle factors can profoundly impact our economic decisions."

The seminar is intended for both Bachelor and Master students in economics and is open to students of related fields (e.g., business studies, socioeconomics, ...) and exchange students who possess sufficient knowledge of microeconomics. Topics for the term papers (see list at the end of this document) will be assigned at the organizational meeting on October 20th.

Virtual organizational meeting

Friday, October 20th at 14:00 pm

Please register for the virtual organizational meeting with an email to

xiaoyu.zhou@fau.de

until October 15th

(include your name, student ID and field of study).

Only by registering in advance we can provide you with the necessary information to participate in the organizational meeting. We also advise you to register for this seminar on StudOn to regularly receive important information and updates about the seminar.

Please also send us a list of your (three) preferred topics before the organizational meeting (by October 15th the latest). We will try to match all applicants to the topics according to their preferences as good as possible. Please note that the number of seminar participants is limited.

If you have additional questions please also contact Xiaoyu Zhou directly. The seminar will be credited as “Seminar Behavioral Economics” for Masters students, and as “Seminar Verhaltensökonomische Grundlagen” or “Seminar zur Wirtschaftstheorie” for Bachelor students. Successful participation in the seminar is one way of qualifying for writing a Master thesis at the Chair of Economic Theory.

Rules of the game

Your grade for the seminar will be built from three parts: (1) your paper on the assigned topic, (2) the presentation of your paper at the seminar meeting, and (3) your participation in the general discussions during the meeting.

Students are expected to build on the provided references to conduct independent research of the literature. The term paper should summarize the main findings and contributions of the existing literature and discuss the underlying research question (formulated by the student) using the provided **and additional** literature. The provided references only constitute a guidance for your own research. The paper has to be written in English, with font size 12, 1½ line spacing and appropriate margins. The term paper is limited to 15 pages (+/- 1 page), plus a table of contents, a list of figures, a list of tables, the used references and an appendix. (See also our general guidelines for writing scientific papers "*Guidelines for the preparation of term papers and bachelor/master theses*", which you can find in the subsection "Thesis" on our English homepage.)

With his or her topic each student is assigned a supervisor, who will be the contact person regarding the exact content (and form) of the term paper. A rough outline of the paper should be discussed with the assigned supervisor before the paper is written. All students are required to meet their supervisor at least once **before November 5th**. A failure to meet the supervisor may result in the exclusion of the student from the seminar.

The deadline for paper submission for all participants is: **Friday, January 12th 2024 23:59 pm**. Each student will present his or her term paper in a presentation. The paper presentations and discussions will take place in the **week 22 – 26th Jan**. The exact dates will be determined later. The number of seminar meetings depends on the number of students that submit a term paper. You must be present at all seminar meetings.

More information regarding the exact dates, times, and place, as well as the exact (time) requirements for the presentations will follow at a later point.

List of Topics

1. Self-Control and commitment

DellaVigna, Stefano, and Ulrike Malmendier. 2006. "Paying Not to Go to the Gym." *American Economic Review*, 96 (3): 694-719.

2. Income effects on consumption

Gicheva, Dora, Justine Hastings and Sofia Villas-Boas. 2010. "Investigating Income Effects in Scanner Data: Do Gasoline Prices Affect Grocery Purchases?." *American Economic Review*, 100 (2): 480-84.

3. Conspicuous Consumption.

Hopkins, Ed, and Tatiana Kornienko. 2004. "Running to Keep in the Same Place: Consumer Choice as a Game of Status." *American Economic Review*, 94 (4): 1085-1107.

Robert H. Frank. 1985. "The Demand for Unobservable and Other Nonpositional Goods" *The American Economic Review*
Vol. 75, No. 1 pp. 101-116 (16 pages)

4. The effects of left digit bias

Avner Strulov-Shlain, More Than a Penny's Worth: Left-Digit Bias and Firm Pricing, *The Review of Economic Studies*, 2022;, rdac082, <https://doi.org/10.1093/restud/rdac082>

Repetto, L., & Solís, A. (2020). The price of inattention: Evidence from the Swedish housing market. *Journal of the European Economic Association*, 18(6), 3261-3304.

Thomas, M., & Morwitz, V. (2005). Penny wise and pound foolish: the left-digit effect in price cognition. *Journal of consumer Research*, 32(1), 54-64.

5. Inertia and consumer choice -

Grubb, M. D., & Osborne, M. (2015). Cellular service demand: Biased beliefs, learning, and bill shock. *American Economic Review*, 105(1), 234-271.

Miller, Klaus and Sahni, Navdeep S. and Strulov-Shlain, Avner, Sophisticated Consumers with Inertia: Long-Term Implications from a Large-Scale Field Experiment (January 27, 2023). Available at SSRN: <https://ssrn.com/abstract=4065098> or <http://dx.doi.org/10.2139/ssrn.4065098>

Handel, B. R. (2013). Adverse selection and inertia in health insurance markets: When nudging hurts. *American Economic Review*, 103(7), 2643-2682.

6. Price signals quality or determines quality?

Brucks, M., Zeithaml, V. A., & Naylor, G. (2000). Price and brand name as indicators of quality dimensions for consumer durables. *Journal of the academy of marketing science*, 28, 359-374.

Rao, A. R. (2005). The quality of price as a quality cue. *Journal of marketing research*, 42(4), 401-405.

Grewal, D., Krishnan, R., Baker, J., & Borin, N. (1998). The effect of store name, brand name and price discounts on consumers' evaluations and purchase intentions. *Journal of retailing*, 74(3), 331-352.

7. Social Influence: online word of mouth

Muchnik, L., Aral, S. and Taylor, S.J., 2013. Social influence bias: A randomized experiment. *Science*, 341(6146), pp.647-651.

Nosko, C. and Tadelis, S., 2015. The limits of reputation in platform markets: An empirical analysis and field experiment (No. w20830). National Bureau of Economic Research.

Viglia, G., Minazzi, R. and Buhalis, D., 2016. The influence of e-word-of-mouth on hotel occupancy rate. *International Journal of Contemporary Hospitality Management*, 28(9), pp.2035-2051.

8. Choice Overload

Iyengar, S.S. and Lepper, M.R., 2000. When choice is demotivating: Can one desire too much of a good thing?. *Journal of personality and social psychology*, 79(6), p.995.

Chernev, A., Böckenholt, U. and Goodman, J., 2015. Choice overload: A conceptual review and meta-analysis. *Journal of Consumer Psychology*, 25(2), pp.333-358.

9. Do consumer warnings and information like nutri-scores work?

Nikolova, H.D. and Inman, J.J., 2015. Healthy choice: the effect of simplified point-of-sale nutritional information on consumer food choice behavior. *Journal of Marketing Research*, 52(6), pp.817-835.

Azagba, S. and Sharaf, M.F., 2013. The effect of graphic cigarette warning labels on smoking behavior: evidence from the Canadian experience. *nicotine & tobacco research*, 15(3), pp.708-717.