Marketing Summer @ IDC

Monday, June 18, 2012, 10:00

Mivtach Shamir Holdings LTD. Hall (A316)
Arison-Lauder Building, IDC Herzliya Campus

10:00  Coffee & refreshments

10:30  Dr. Liat Hadar, Arison School of Business, IDC Herzliya

11:30  Coffee break

11:45  Dr. Vardit Landsman, Recanati Graduate School of Business, Tel-Aviv University

12:45  Lunch

13:45  Dr. Moti Amar, School of Business, Ono Academic College

14:45  Coffee break

15:00  Dr. Michal Strahilevitz, Business Department, Golden Gate University - The lecture will be conducted in English

“It’s Not Only What You Know but also How Knowledgeable You Feel: Subjective Knowledge in Consumer Financial Decisions”
Dr. Liat Hadar, IDC Herzliya

We propose that attempts to increase consumers’ objective knowledge (OK) concerning financial instruments can deter willingness to invest when such attempts diminish consumers’ subjective knowledge (SK). In four studies using different manipulations of SK and different investment products, we show that investment decisions are influenced by SK, independent of OK. Specifically, we find that: willingness to pursue a risky investment increases when SK is high relative to a prior investment choice (Study 1); willingness to enroll in a retirement saving program can be enhanced by asking consumers an easy (versus difficult) question about
finance thereby increasing SK (Study 2); technically elaborating information concerning a “lifecycle” mutual fund diminishes SK concerning that investment and decreases choice of that fund (Study 3); and consumers invest less money in options when missing information is made salient, holding the investment information constant (Study 4). Further, the effects in Studies 2 to 4 are mediated by participants’ SK. We propose that effective financial education programs must focus not only on imparting relevant information and enhancing OK, but also on promoting higher feelings of SK.

"Do Customers Learn from Experience? Assessing Experience-Based Choices among Three-Part Tariff Plans"

Dr. Vardit Landsman and Itai Ater, Tel-Aviv University

Customer choices based on information that is gained from experience can systematically yield worse economic outcomes compared with choices made in the absence of experience. We use a rich panel data set covering 70,000 fee-based checking accounts over 30 months, before and after a commercial bank introduced a new menu of three-part tariff plans, to study customers’ plan choices and subsequent switching decisions. We find that most customers do not adopt the plans that minimize their costs, preferring plans with large monthly allowances and high fixed payments. This tendency is stronger for customers residing in lower socio-demographic areas, who have more children and who perform fewer information inquiries regarding their accounts. We also find that after plan adoption, customers who exceed their plan allowances and consequently pay overage fees are more likely to switch to plans with larger allowances than customers who do not. Notably, after plan switching these customers pay higher monthly payments than before. Conversely, plan switchers who do not pay overage fees prior to switching choose new plans that reduce their monthly bank payments. We propose the theory of mental accounting as a possible explanation for these findings and suggest that customers are less sensitive to fixed fee payments than they are to payments of overage fees. To quantify this effect we estimate a discrete choice model and find that customers are 3.5 times more sensitive to overage fees than to monthly fixed payments.

"Reputation Can Change Objective Product Efficacy"

Dr. Moti Amar, Ono Academic College

This research illustrates the power of reputation, such as that embodied in brand names, demonstrating that names can change objective product efficacy. Study participants facing a glaring light were asked to read printed words as accurately and as quickly as they could, receiving compensation proportional to their performance. Those wearing sunglasses tagged Ray-Ban were able to read more quickly yet with fewer errors than those wearing sunglasses tagged Mango (a less prestigious brand) that were otherwise identical. Similarly, ear-muffs blocked noise more effectively, and chamomile tea improved mental focus more, when otherwise identical target products carried more reputable names.
This paper discusses ways in which giving is both like and unlike regular consumption. First, research is presented demonstrating that taking away (from a charity) looms larger than not giving (to that same charity). Take-from-charity aversion is shown to be even stronger than loss-aversion, thus differentiating giving from regular consumption. Next, a series of experiments are presented that demonstrate that similar to “sensory-specific satiation,” individuals may exhibit “cause-specific satiation.” Like individuals indulging in their favorite flavors of chocolate, “overindulging” in one cause can lead to satiation, but time allows consumers to regain their desire for their favorite “flavor” of charity.