

BE101x: Behavioural Economics in Action
Unit 4.3.1 Consumption Vocabulary

DILIP SOMAN: It's always fun to enjoy a good glass of wine. While I'm working on my wine, I have a simple question for you. What is common to wine, quilts, and classical music? Obviously, on the surface, it seems like these are three completely unrelated categories. But there is something common. And the answer is as follows.

If you ask the majority of people who consume one of these three things as to what they like, they probably will be able to tell you what. Most people can tell you that they like a given wine versus the other one, that they like a given piece of music, that they love the pattern on a quilt. But if you ask them why they like what they like, most people do not have a good answer.

Now there are two reasons for why that happens. The first reason is simply that a lot of people don't know why they like what they like. A lot of these categories involve sensory inputs. They involve the processing of sensory information. And in many of those situations, a lot of things combine to produce liking. For example, with this glass of wine, there's obviously the taste of the wine, the smell, the fact that it feels good in my hands, the fact that the experience is a good one.

Now let's think a little bit about these two processes. If you ask me why I like this glass of wine, I'm going to say because it tastes good. What I'm not going to be able to tell you is that my preference for this glass of wine is a function of the complexity, the bouquet, the aroma, the acidity, the tannins, all of that lovely stuff that you read about in Wine Spectator magazines.

If I only knew what all of those things meant, and if I were able to identify each of those terms with a specific feature of this glass of wine, a few things could happen. One, I would be able to describe my preferences better to you. Two, I might be able to learn more about my own preferences by trying wines that are constant on every single dimension except one. Three, over time, I might start actually making better choices.

This is the idea of Patricia West and her colleagues called preference vocabulary or consumption vocabulary. Here's the idea. The idea is that in a lot of different domains, people know what they like, but they don't know why they like it. And simply providing them with the language to express their preferences helps them not only express them, but also to develop those preferences further.

Let's look at the example of quilts. You can actually decompose the liking for a quilt along a number of different dimensions. And I'm not making these up. These are actually real pieces of data from expert quilters. You can look at the border patterns or the sashing or the blocks or the alignment or the arrangement. These are all the attributes of quilts that you and I would probably not think about, but the expert knows that they exist.

Now let's imagine a simple experiment. Suppose you had five or 10 such attributes and you created a large number of quilts by looking at different combinations of these attributes. Let's imagine you came up with 150 different patterns of quilts. Now you did an experiment which looks a lot like a randomized controlled trial, but within experimenter or within participant sense.

So you picked a participant. And you asked that participant to evaluate each of those 150 quilts on the liking scale. Now what you have is the participant's liking for each of these quilts, which you have from the expert is the evaluation of each of those quilts on those different attributes. All you do now is to pull out your favorite tool, the regression analysis. And if you did that, you

could actually come up with a regression for this particular individual where you can model liking as a function of $a + b_1 \text{ border} + b_2 \text{ sashing}$, and so on and so forth.

What you've just done is you have allowed this individual to figure out why they like certain quilts and why they don't. This individual might discover, for example, that the b_2 -weight the coefficient that they place on sashing, is high. And so, in fact, they really care about that attribute.

If you could actually start decomposing the preferences for fine wine or classical music or quilts or objects of art along these dimensions, we can now start achieving some of the ideas that we spoke about at the beginning of this module. Pat West and her colleagues did a lot of research where they showed that by actually giving people a consumption vocabulary, they could end up producing the three effects we talked about.

First, people in her experiments were taught how to appreciate a quilt by being given the right vocabulary. Folks that had received the vocabulary were much better at expressing their preferences. They could actually say, I like that pattern over this one because.

Second, people that had received a vocabulary could learn preferences better. They were able to come up with their own experiments. They were able to say, gee, it looks like these two attributes are important, but let me try and see what the effect of the third attribute is. And they learned their preferences better along each attribute.

And finally, what Pat West found was that over time, people that had received information on the consumption vocabulary actually made better choices. Their preferences were much more stable. Because they now had a hook on which to anchor the utility on, they were able to come up with much more fine-tuned preferences for those quilts.

We talked about the difference between an analytical process and an intuitive or a gut-feel process in making judgments. By providing people with the consumption vocabulary, what you can actually do is to take a process that is largely intuitive and convert that into an analytical process because you now give people to the right terminology, and therefore the right meter, on which they can assess their own utility for this lovely glass of wine. Cheers.