


# What's Advertising Content Worth? Evidence from a Consumer Credit Marketing Field Experiment (Bertrand, Karlan, Mullainathan, Shafir, Zinman; *Quarterly Journal of Economics*, 2010)




Account Number 105349191

BUSINESS HOURS  
MON - FRI 08:00 - 16:00  
SAT 08:00 - 12:00

SIYASIKHULUMA  
ISIZULU

**A special rate for you.**



Congratulations! As a valued client, you are eligible for a special interest rate on your next cash loan from [REDACTED]. This is a limited time offer so please come in by 31 October 2003 to take advantage of this offer. You can use this cash to pay off a more expensive debt, repair your home, buy an appliance, pay for school or for anything else you want.

Enjoy low monthly repayments with this offer! For example:

Interest Rate	Loan Amount	Loan Term	Monthly Repayment
10.50%	R2000.00	4 Months	R710.00

LOAN AVAILABILITY SUBJECT TO TERMS & CONDITIONS  
LOAN AVAILABILITY SUBJECT TO TERMS & CONDITIONS


Loans available in other amounts. There are no hidden costs. What you see is what you pay.

**If you borrow elsewhere you will pay 10% more in interest payments on a R2000, 4 month loan!**

**How to apply:**


Bring your ID book and latest payslip to your usual branch, by **31 October 2003** and ask for

To extend your deadline, call 0860 333 0004 or SMS 0860 222 334.



PS: Unfortunately, if you have already taken a loan since the date this letter was issued, you do not qualify for this offer

**WIN**  
10 CELLPHONES  
UP FOR GRABS  
EACH MONTH!



## Behavioral (“Marketing”) Manipulations:

- # of loan examples shown
  - subtle peripheral cues; photos

## Some results:

1 vs. 4 examples: ~ 2.3 percent. points

For males: female picture = ~ 4.5 points

Here we've focused on a single decision maker facing a single decision.

(Extension to collectives / markets: not simple...)

Have not discussed:

Inter-temporal decisions

Self control, addiction

Single versus repeated

Endowment, anticipated regret

Mental accounting, fungibility, sunk costs

etc.

## Some aspects of mental life that contribute to preference inconsistency:

- Decisional conflict
  - search for compelling arguments
  - delay decision, maintain SQ, prefer low-conflict options
- Shifting weights
  - choose / reject / search for information
  - separate / comparative evaluation
- Alternate self conceptions
  - professional, national, social, economic
- Various choice heuristics

Note: Preference inconsistency in these studies comes not from distracted shortcuts or momentary confusion; rather, fundamental aspects of mental life, central to how people process information...

“We consumers are not expected to be wizards. We may make most of our decisions unconsciously or just out of habit. **What is assumed is that consumers are fairly *consistent* in their tastes and actions – that they do not flail around in unpredictable ways, making themselves miserable by persistent errors of judgment or arithmetic.** If enough people act consistently, avoiding erratic changes in buying behavior, our scientific theory will provide a tolerable approximation to the facts.”

Samuelson & Nordhaus, Economics, 14<sup>th</sup> edit., 1992 (emphasis in original)

What we have reviewed:

Not flailing around, erratic, or “anomalous”

Not “errors of judgment or arithmetic” (albeit non-normative...)

Not unpredictable

Instead: Systematic experiences inherent to people’s mental life

Thus, may help to think of individual decision makers not as faulty economic agents, but as fundamentally different creatures...

The economist [well-being theorist] may attempt to ignore psychology, but it is sheer impossibility for him to ignore human nature... If the economist borrows his conception of man from the psychologist, his constructive work may have some chance of remaining purely economic [well-being relevant] in character. But if he does not, he will not thereby avoid psychology. Rather, he will force himself to make his own, and it will be bad psychology.

John Maurice Clark, Journal of Political Economy, 1918

True also for:

policy analyst, business person, doctor, lawyer, teacher, parent, spouse, friend, person in the street...

Thank you!