

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Petr Žofák
Advisor:	Mgr. Jindřich Matoušek
Title of the thesis:	The asymmetric dominance effect: Three-attribute phantom alternative at play

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Petr Žofák provides in his thesis an original piece of research on the topic from classical theory of consumer choice. He investigates an asymmetric dominance defect that was firstly studied more than thirty years ago by Huber et al. (1982) and implements new feature into the original design. The effect scrutinized in Petr's thesis refers to the situation when a third option is added to the originally two-item choice set where one item is strictly dominating the other and is therefore perceived as a target option. The theory states that adding the third option, a decoy, such that it is dominated by the target (i.e. is perceived inferior to it) and at the same time it's status to the second option is not clear (i.e. is perceived as a competitor to it) predictably increases number of choices of the target option.

Petr widens the standard information set of two attributes by which each item is described in previous literature by adding a third piece of information in the form of number of likes reflecting kind of a social feedback on the item available for choice. He argues that this representation of so called electronic word of mouth (eWOM), in reality often represented precisely by number of likes on social networks, is nowadays highly relevant indicator that can change choice of consumers more than real characteristics of items. Moreover, Petr also makes the decoy unavailable for choice utilizing therefore a concept of phantom decoy in his research—a simulation of item that can be, e.g., out of consumer's budget constraint.

Using an economic experiment via the online survey site Petr examines the consumer choice over three different cars with numerically stated characteristics of gasoline consumption, ride quality rating and number of likes. He hypothesize that the asymmetric dominance effect will be observable both in ordinary and phantom decoy settings with approximately same magnitude of the effect. Moreover he assumes that adding a specific third piece of information, the number of likes, into the information set will affect the share of participants who choose the target option.

Petr finds out in his thesis that the asymmetric dominance effect caused by the phantom decoy alternative resulted in 19.05% increase in choices of the target option. The experiment moreover shows that consumers pay attention to the information presented in the form of a "rating" or electronic word of mouth. The research could not prove the presence of asymmetric dominance effect with ordinary decoy added into the choice set because of methodological inconsistencies I describe further in this report.

I find the topic and results of Petr's thesis interesting. The thesis shows author's sufficient knowledge of both the topic of consumer choice theory as well as analytical methods. The level of formal correctness is sufficient. The thesis have, according to my perspective, deficiencies that should have been avoided, but, on the other hand, the author tried to prevent these problems and reacted in order to solve them to the best of his abilities. Despite my complaints to the thesis, I am pleased to summarize here that the author managed all aspects of a bachelor thesis at the satisfactory level. Therefore, based on the quality of the thesis I suggest the grade "1", i.e. "excellent." I describe the inconsistencies of the thesis in the next section of this report.

Regarding the methodology of the thesis I see the major problem in the parameter setting of the test. Even though it was adopted from previous research on the topic of asymmetric dominance effect and therefore is not author's own parametrization of the problem its relevance is questionable at least from the perspective of gasoline consumption. Brand-B car, that is stated as a competitor in the original two-item choice set has significantly lower gasoline consumption (4.2) than a target option (5.7). The two so called eWOM characteristics, ride quality rating and number of likes, are very

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subjective measures while the gasoline consumption is strictly objective characteristics. This may have influenced the so called "rational" consumers to choose the better competitor option.

There also occurred a problem with non-standard procedure of data collection since there were not enough observations in the treatment with ordinary decoy task. Petr correctly analyzes and describes the reasons why this could have happened in the chapter 5.2 *Outcomes of randomization procedure in the first round* on page 25. Firstly, even though the probability of obtaining each task was 25% this treatment was chosen only in 17% of cases during the randomization procedure (which was caused by the online software, not by purpose). Secondly, this task was quite complex that could discourage participants from fulfilling the task. On the other hand the phantom decoy task was of very similar complexity and there were no problems with drop-out rates within. Nevertheless, even though there was a justified necessity to replenish these missing observations in the ordinary decoy treatment, usage of different software is at least controversial. Moreover, also a different type of target group was used to supplement the missing observations. Originally the links were distributed through emails, Facebook groups etc. and when a participant decided to fill the questionnaire, the online software randomized which task was proposed to him. It is therefore at least reasonable to assume that the selection bias is limited in this case. However, only Facebook group of IES students was used to collect data in the second round, which induces that mainly students of economics completed this particular task. Selection bias must be therefore present in at least 55% of responses to the ordinary decoy treatment (21 subjects out of 38 were replenished).

In case of the manuscript form I found several deficiencies that are however mostly quite subjective. I do find constructs of some English sentences used in the text a little bit abstruse. I also find some statements inappropriate for the academic text, e.g. "growing necessity to numerically estimate multitude of things" (p. 3) seems very non-specific to me. Other examples can be found in the text. On the other hand I really do appreciate that the author does not repeat same arguments over and over in order to extend the number of characters as is usually seen in many bachelor theses. This thesis is apt, proposing all necessary information to the reader.

Last but not least, I strongly appreciate that Petr made significant progress during the time he worked on his thesis.

Despite everything I wrote above I am pleased I can recommend the thesis of Petr Žofák to defense at the IES FSV UK. I suggest the grade "2", i.e. "good."

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Suggested question for the defense:

- 1) Please elaborate on the connection of electronic word of mouth and so-called herding effect. Have you found any connection between electronic word of mouth and herding effect in the research literature?
- 2) Could you please explain in detail why you have chosen the different online software for the second round of data collection?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	22
Contribution (max. 30 points)	22
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	82
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Jindřich Matoušek

DATE OF EVALUATION: August 12, 2016



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong	Average	Weak
20	10	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong	Average	Weak
30	15	0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong	Average	Weak
30	15	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong	Average	Weak
20	10	0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě