

Report on Bachelor / Master Thesis

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

Student:	Bc. Marija Alferovičová
Advisor:	PhDr. Václav Korbel
Title of the thesis:	Irrationality of consumer choice and the effect of nudging decision-making: A field experiment on tipping

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

Marija investigates tipping behavior and impact of various non-monetary incentives on it. It aims to show what factors drive tipping behavior which is, from narrow perspective of standard economic theory, when there is no reciprocity concern, irrational. I would like to highlight the fact that Marija herself designed and conducted the field experiment and just that is a very good contribution for a master thesis. Based on my own experience, I know how difficult is to convince someone (in this case restaurant) about the importance of the research, moreover when the profits of owner can be affected. The overall quality of the thesis is however a bit curtailed by the manuscript. Even though Marija improved the text a lot during the process of writing it would still need more work.

In the first two chapters Marija describes decision making of consumers and how consumers are prone to various cognitive biases and other influences not embedded in standard neoclassical theory. Then she introduces nudges, simple behavioral tools how to change consumer's behavior. Even though those two chapters capture lots of interesting information there is just a small connection and value added to the actual topic of the thesis. I see those two chapters as the weakest part of the thesis.

The design of the experiment is inspired by Jacob et al. (2013). However, Marija goes beyond that by designing additional personalized treatment which helps to divide different motives of tipping as good mood, altruism and reciprocity. The experiment is well thought through randomizing dinning parties into all treatments, controlling for most of confounding factors such as different behavior of waiters, daytime or nationality of customers which allows to the great extent interpret results causally.

The results are in contradiction with previous literature showing that non-monetary incentives do not have significant impact on tipping behavior of Czech customers and in some cases they even have negative effect. Marija analyzes the data correctly pointing out all potential problems including endogeneity or small sample size for certain kinds of analyses. Then she carefully discusses possible explanations including the most probable one that Czechs dislike all types of cards and therefore then oppose to give higher tipp. This result is interesting on itself having not only practical implications but it also contributes to the literature how we understand nudges. Apart from that, the decrease in percentage tip with increasing group size confirms results from previous studies. It would be also interesting to look more on specific Czech social norms in tipping such as rounding.

To sum it up, the master thesis is of a good quality. The field experiment is carefully designed and conducted. Data are analysed properly and results bring interesting insights into motivations for tipping behavior and functioning of non-monetary incentives. The quality of the thesis would have improved if the first two chapters had been shortened and more connected to the topic of the thesis. It would also be good to use more scientific language and avoid plain English. From all of the abovementioned reasons, I recommend the thesis for defence and suggest **grade B (good)**.

I have no further questions or comments since they have been incorporated to the thesis durign previous iterations.

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

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	22
Contribution (max. 30 points)	25
Manuscript Form (max. 20 points)	8
TOTAL POINTS (max. 100 points)	73
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: PhDr. Václav Korběl

DATE OF EVALUATION: 13.1.2016



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