

Report on Ph.D. Thesis Defence

Ph.D. Candidate	Chaikal Nuryakin (PHD09012)
Date	18 th September 2014, Thursday
Time	15:00-16:30
Main referee	Alistair Munro
Referees	Dainn Wie Tetsushi Sonobe (the Chairperson of the Ph.D. Committee) Robert Ferenc Veszteg (Waseda University)
Dissertation Title	Fukubukuro: Valuation and Choice Experiments on Shrouded and Bundled Goods

Result: Pass (subject to minor changes)

1. Thesis overview and summary of the presentation.

Fukubukuro is a familiar feature of the Japanese retail landscape that turns the end-of-year sale into a lottery. Outside of Japan it is rare – the term ‘lucky bag’ is known in English for example, but it is not a common marketing device. In fact, such is its novelty that an online version of fukuburo was recently able to receive a patent in the US (US20130166404 A1 by a company trading as ‘Little Black Bag Inc’).

Fukubukuro typically has two key features: bundling (i.e. several items are sold in the same package) and a lottery (the exact identity of the goods and their quality is not known to the consumer when he or she buys the good.) The fundamental question with fukubukuro is why it is done and there are basically two kinds of answer. One answer is that that it is an exercise in market power: the business makes money by limiting the ability of consumers to avoid the lower quality goods. The second answer is that it is a form of enjoyable gambling for the consumer who is therefore willing to pay more for fukubukuro than he or she would for the individual items.

Perhaps because it is unremarkable in Japan and at the same time so little seen elsewhere, there is very little research on the topic. There are no economics papers on the subject and just a handful of articles in management science and marketing. Faced

with this lack of prior research the candidate chose to investigate the second explanation in this thesis and did so through the use of experiments with real goods sold to real people. The use of laboratories to test hypotheses in economics is common around the world and there are a few such laboratories in Japan, but this is a first attempt by a GRIPS.

The basic contents of the thesis are as follows:

Chapter one is introductory and provides an overview as well as a survey of the relevant literature. Chapter two reports on the first experiment in which a group of subjects in Indonesia¹ are asked to value various lotteries and bundles which mimic the kind of system used by electrical retailers. The results suggest that bundling and uncertainty has a negative effect on subjects' willingness to pay (WTP) for product lotteries. This is not surprising from the viewpoint of psychology or economics but it goes against the 'gambling' explanation of fukubukuro. This experiment was the candidate's first practical experience and there were some problems in the running of the experimental sessions and some evidence that many subjects did not understand the procedures very well.

Chapter 3 was also based on an experiment, again run in Indonesia. It examines the effects of subjects' risk preferences and optimism on their purchases of a product lottery. The kind of fukuburo used here was more like that used by Apple (for example) in which there are a few very good prizes and many moderate outcomes. The experiment found that many subjects are risk-seeking and optimistic, especially towards negatively skewed product lotteries (i.e. lotteries with a low chance of a very good product). The results indicate that sellers may have the opportunity to gain more profit by selling this kind of fukubukuro.

There are limitations on the goods that can be sold through a real experiment. Chapter 4 is based on a hypothetical choice experiment that aims to investigate the roles of risk preference and information in individuals' choice behaviors. The experiment is hypothetical in the sense that there is no chance that the subjects can actually win any of the prizes. This chapter mainly focuses on Yodobashi Camera's fukubukuro, in which the goods and the probabilities of their receipt are perceived to be equal. The chapter

¹ GRIPS accounting procedures do not allow normal economics experiments to be run here, so the experiments were based in Jakarta.

suggests that subjects who are risk-seeking or have less information on and familiarity with the goods have a greater chance of choosing product lotteries. The final chapter discusses the limitations of the research and considers some policy issues. The policy issues discussed mainly relate to whether fukubukuro is an acceptable marketing strategy particularly in a muslim country where there are cultural, religious and legal restrictions on gambling.

After an opening address by Professor Sonobe, the candidate presented his thesis for approximately one hour. Questions from the referees followed and then remarks and questions from other members of the audience. The committee retired to another room to discuss the presentation and the dissertation.

2. Notes from the Examining meeting (including changes required to the thesis by the referees).

The referees praised the novelty of the work and unanimously agreed that the dissertation was worthy of a pass, but nevertheless they had a number of suggestions for improvements. Most notably, they commented on the poor quality of the written English. In places it was not possible to understand what the candidate was trying to say. Some additional, specific advice included,

- 1) Re-editing tables and figures to be self-contained.
- 2) Avoiding abstract and abbreviated notation model. Although there is not much notation used in the text and it is fairly easy to follow it, all the variables should be properly defined in the text before use.
- 3) The discussion based on the performed statistical tests focuses on significance. The candidate should also compute and comment size effects (odds ratios in the LOGITs, etc.).
- 4) Clarification of what in the text is referred to as "standard theory" to back up the research hypotheses. The theory should be explained (very briefly if it is really standard).
- 5) Explanation of why an S-shaped willingness to pay function means the underweighting of small probabilities and the overweighting of high probabilities (page 61).

The referees agreed that the supervision of the changes and the tasks of checking their acceptability should be delegated to the main referee.

3. Confirmation by the Main Referee that changes have been done to the satisfaction of the referees.

A few days after the defence, the candidate returned to his job in his home country. This has delayed the production of the final dissertation, but I can now confirm that the changes have been made to my satisfaction. After various corrections and changes to the content were made by the candidate, a professional editing service was used to bring the thesis to an acceptable standard of readability.

4. Final recommendation.

Pass.